



LONDON FINANCE &
INVESTMENT GROUP P.L.C.



REPORT & ACCOUNTS

30TH JUNE

2008

LONDON FINANCE & INVESTMENT GROUP P.L.C.
("Lonfin")

Lonfin is a United Kingdom investment finance and management company. Its core portfolio centres on the larger companies in the FTSE 100 and Euro 500 indices. Additionally, Lonfin holds investments in United Kingdom listed companies where it has board representation. Lonfin is also a 43.8% shareholder in its associate Western Selection P.L.C., a strategic investment company. Western's share capital is admitted to trading on AIM, a market operated by the London Stock Exchange, and PLUS Markets.

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

CITY GROUP P.L.C.

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

THE CITY OF LONDON

- is astride the Greenwich Meridian as the centre of the world's global markets.
- is one of the key financial centres of the world.
- is at one of the crossroads of capital for the world's largest corporations
- is an important source of capital for entrepreneurs.

Contents

	Page
Directors and Advisers	2
Results in Brief, Summary of Investments, Financial Calendar and Analysis of Shareholders	3
Directors' Report	4
Business Review	4
Composition of General Portfolio	10
Consolidated Income Statement	11
Consolidated Statement of Changes in Shareholders' Equity	12
Balance Sheets	13
Consolidated Cash Flow Statement	15
Notes to the Accounts	16
Corporate Governance	29
Statement of Directors' Responsibilities in Respect of the Accounts	32
Remuneration Report	33
Report of the Independent Auditors	36
Terms and Conditions of the 2010 Warrants	38
Summary of Results	41
Notice of Annual General Meeting	42
Proxy Form	Enclosed

London Finance & Investment Group P.L.C.

Directors

D.C. MARSHALL, *Chairman*, age 64

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

F.W.A. LUCAS, BSc, PhD, *Non-executive*, age 40*†

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

J.H. MAXWELL, CA, CCMI, FRSA, *Non-executive*, age 63*

Mr. Maxwell, who is a Chartered Accountant, was appointed a director of the Company in 2003. He currently serves as a non-executive director of Homeserve PLC, Provident Financial PLC, Royal & Sun Alliance Insurance Group PLC, The Royal Automobile club Limited and The Motor Sports Association Limited.

J.M. ROBOTHAM, OBE, FCA, *Non-executive*, age 75†

Mr Robotham joined the board in 1984. He is the non-executive chairman of Marshall Monteagle Holdings S.A. and a non-executive director of Halogen Holdings S.A. and Western Selection P.L.C. He is a chartered accountant and a Member of the Securities Institute.

*Member of the audit committee

†Member of nomination committee

Secretaries and Registered Office

United Kingdom

CITY GROUP P.L.C.
30 City Road,
London, EC1Y 2AG
Tel: +44 (0)20 7448 8950
Fax: +44 (0)20 7638 9426

www.city-group.com
E-mail: lonfin@city-group.com

Republic of South Africa

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

Registered Number

201151

Registrars

CAPITA REGISTRARS
The Registry
34 Beckenham Road.
Beckenham,
Kent, BR3 4TU
Tel: 0870 162 3131

COMPUTERSHARE INVESTOR
SERVICES (PTY.) LIMITED
70 Marshall Street,
Johannesburg, 2001
(P.O. Box 61051, Marshalltown 2107)
Tel: 011 370 5000

Results in Brief

Year ended 30th June	2008 £000	2007 £000
Profit before exceptional items	319	1,217
Exceptional items		
Share of associates impairment provision	(1,322)	–
Costs including establishing Employee Benefit Trust	–	(728)
(Loss)/Profit after exceptional items	<u>(1,003)</u>	<u>489</u>
Dividends	1.2p	1.1p
Earnings per share before exceptional items	1.0p	4.0p
(Loss)/Earnings per share	(3.2)p	1.6p

Summary of Investments

At 30th June	2008 £000	2007 £000
Strategic Investments at market value:		
Western Selection P.L.C.	2,469	3,490
Finsbury Food Group plc	3,860	9,320
MWB Group Holdings Plc	<u>2,455</u>	<u>5,495</u>
	8,784	18,305
General Equity Portfolio at market value	5,726	6,564
Tangible Non-current assets	403	416
Cash, bank balances and deposits	36	87
Bank Loans	(2,924)	(1,247)
Other net assets/(liabilities)	136	(346)
Deferred taxation	–	(3,164)
Minority interests	<u>(101)</u>	<u>(95)</u>
Net assets, including investments at market value	<u>12,060</u>	<u>20,520</u>
Net assets per share, including investments at market values	38.7p	65.8p

Financial Calendar

Annual General Meeting	6th October 2008
Dividend for 2008	Paid on 10th October 2008 to holders on 26th September 2008
Half-year results	Announced in February

Analysis of Shareholders

	Number	%	Total	%
0 - 500	1,264	57.4	244,243	0.8
501 – 1,000	364	16.6	300,622	1.0
1,001 – 5,000	399	18.1	909,784	2.9
5,001 – 10,000	58	2.6	447,148	1.4
10,001 – 50,000	75	3.4	1,658,291	5.3
50,001 – 100,000	12	0.5	853,090	2.7
100,001 – 250,000	13	0.6	2,254,510	7.2
250,001 – 500,000	8	0.4	2,938,474	9.4
500,001 – 1,000,000	1	0.1	635,000	2.1
Over 1,000,000	6	0.3	20,958,838	67.2
	<u>2,200</u>	<u>100.0</u>	<u>31,200,000</u>	<u>100.0</u>

The current price of the Company's shares can be found on the share prices pages of the Financial Times, the Daily Telegraph and in the business section of the major South African newspapers.

Directors' Report

Business Review

Lonfin is an investment company whose assets primarily consist of three Strategic Investments and a General Portfolio. Strategic Investments are significant investments in smaller UK quoted companies and these are balanced by a General Portfolio, which consists mainly of investments in major U.K. and European equities.

At 30th June 2008, the three Strategic Investments, in which we have board representation, were our associated company Western Selection P.L.C., MWB Group Holdings Plc and Finsbury Food Group plc. Detailed comments on our Strategic Investments are given below.

Our objective is to achieve capital growth in real terms over the medium term, while maintaining a progressive dividend policy.

Results

The Group made a profit before exceptional items of £319,000 (2007 – £1,217,000). Our operating income last year was higher due to profits realised on sales of investments, particularly the disposal of one third of the Group's holding in MWB Group Holdings Plc. Fee income received by City Group reduced from last year which was boosted by one-off activities by clients not repeated in the current year. After the Group share of an exceptional impairment charge in Western of £1,322,000, tax and minority interests, the Group loss was £1,003,000 (2007 – profit – £489,000) giving a loss per share of 3.21p (2007 – earnings – 1.60p).

To reflect our progressive dividend policy, the Board has decided to propose a final dividend of 0.65p. With the maiden interim dividend of 0.55p the total for the year is 1.20p per share (2007 – 1.10p), an increase of over 9%.

Our net assets per share, after provision for deferred taxation, have decreased 41% to 39p from 66p last year, reflecting the reduction in value of the Strategic Investments. These have declined in value by 56% and our General Portfolio by 4% after taking into account additions and disposals of investments. This compares with the decreases in the FTSE 100 index of 14.9% and the FTSE Eurotop 300 index of 25.16% over the year.

Strategic Investments

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

On 16th July 2007 Western invited its shareholders to subscribe for warrants in the company. The funds raised from this subscription and from the exercise of warrants will increase assets under management, improving the ratio of assets invested to operating expenses.

The offer, which was fully subscribed, raised £872,000 in September 2007 and all of the Warrants were exercised in December 2007 raising a further £1,693,000. A further £3,848,000 could be raised from the remaining warrants which are exercisable in the period 2008 – 2010 at 50p each.

The Company owns 7,864,412 shares, being 43.8% of the issued share capital of Western. The Company took up its entitlement to 1,261,940 warrant units issued by Western for £429,000 and exercised 2,597,191 of 2008 warrants in December for £853,000. The cost to the Group of these investments was financed under a specific new facility with the Group's bankers. At 30 June 2008 the Company held 3,785,820 of the 2010 warrants.

On 8th September 2008, Western announced a profit before associates and exceptional items of £378,000 for its year to 30th June 2008 (2007 – £355,000). In view of the current market value of its investment in Creston plc, Western was forced under IFRS to make a provision for the difference between the cost and market value of that investment, amounting to £3,019,000. This

provision does not reduce Western's distributable profits. Including associates and after exceptional items and tax, and on its increased share capital, loss per share was 16.4p (2007 – earnings 0.51p). The company announced a higher dividend on the increased share capital of 2.60p (2007 – 2.55p). Western's net assets at market value were £10,419,000, equivalent to 58p per share, a decrease of 42% from 100p last year. The decrease in value was principally due to the fall in value of its strategic investments.

The market value of the Company's investment in Western at 30th June 2008 was £2,468,900 and the book value was £6,082,000. At market value this represents 20% of the net assets of Lonfin. The underlying value of the Company's investment in Western, valuing Western's investments at market value, was £4.6 million (2007 – £5.27 million).

Mr. Marshall is the Chairman of Western and Mr. Robotham is a non-executive director. Western has strategic investments in Creston plc, Northbridge Industrial Services plc, Swallowfield plc, Hartim Limited and Industrial & Commercial Holdings PLC. An extract from Western's announcement of its strategic investments is set out below:

Creston plc

Creston is a marketing services group whose strategy is to grow within its sector both by organic growth and through selective acquisition to become a substantial, diversified marketing services group. The audited results for the year to 31st March 2008, show a profit after tax of £4,782,000 (2007 – £4,445,000), equivalent to earnings of 8.65p per share (2007 – 8.50p). Western maintained its holding of 3,000,000 shares in Creston (5.4%) during the year. The value of this investment at 30th June 2008 was £1,425,000 (2007 – £4,890,000) being 14% (2007 – 38%) of Western's assets. Creston appears, on a historical basis, to be significantly undervalued, as it is now yielding 5.7% at a P/E of 5.7. At its recent AGM held on 1st September, Creston's directors expressed their confidence in current trading conditions being experienced by the enlarged group.

Mr Marshall is the non-executive chairman of Creston.

Northbridge Industrial Services PLC

Northbridge announced profits of £1,154,000 for the year ended 31st December 2007 (2006 – £731,000) and declared a final dividend of 2p per share, making 3p for the year (2006 – 2p). Western maintained its holding of 1,500,000 shares in Northbridge (19.66%). The value of the investment at 30th June 2008 was £2,558,000 (2007 – £2,768,000) being 25% (2007- 22%) of Western's assets.

Northbridge was formed for the purpose of acquiring companies that hire and sell specialist industrial equipment such as load banks, generators, pumps, air compressors, heaters and chillers. Northbridge's first acquisition was Crestchic Limited, one of the largest electrical load bank equipment manufacturers in the world. The company's customers are leading national and international companies in the oil, energy and shipping industries.

Mr Marshall is a non-executive director of Northbridge.

Swallowfield plc

Swallowfield has a long history of developing and producing aerosol, cosmetic and toiletry products stretching back to 1950. As one of Europe's premier contract manufacturers of toiletries and cosmetics it has the ability to produce a wide range of products. Its skill in design, developing and producing gift packs and themed product ranges compliments its production capability.

Swallowfield's latest published results were for the 28 weeks to 12th January 2008 and showed a profit of £1,592,000 (2007 – £255,000).

Western has increased its holding in Swallowfield during the year and now owns 1,156,000 shares which is 10.27% of the issued share capital. The market value of Western's holding in Swallowfield on 30th June 2008 was £971,000 (2007 - £455,000), being 9% (2007 - 6%) of Westerns' net assets.

Directors' Report (continued)

Hartim Limited

On 28th March 2008 Western invested £728,000 to acquire 49.5% of Hartim Limited, the holding company of Tudor Rose International Limited ("TRI"). Western's share of the consolidated profit after tax in the three month period to 30th June 2008 was £68,000 and the book value of the investment at 30th June 2008 was £797,000, being 8% of Western's assets.

TRI, which was founded in 1984, works closely with a number of leading UK branded fast moving consumer goods companies, offering a complete sales, marketing and logistical service. Based in Stroud, Gloucestershire, TRI has a turnover in excess of £15 million and sells into 78 countries worldwide including USA, Spain, Portugal, Italy, Czech Republic, Russia, Turkey, South Africa, Saudi Arabia, UAE, Malaysia, Australia and China.

Western has two nominees on the board of Hartim, Mr E. J. Beale and Mr. L. H. Marshall who are directors of City Group P.L.C.

MWB Group Holdings Plc ("MWB")

The Company's holding in MWB was unchanged from the 2 million shares held at June 2007, representing 2.58% of MWB's issued share capital. The market value at 30th June 2008 was £2.5 million, compared with the book value of £1.7 million, and represents 20% of the net assets of Lonfin.

MWB is in the process of maturing and realising its assets for the benefit of all stakeholders through an orderly disposal programme. Mr. Marshall is a non-executive director of MWB and the board constantly reviews the programme of disposal.

Finsbury Food Group plc ("Finsbury")

The Company holding in Finsbury remains at 8,000,000 shares, representing 15.55% of their share capital. The market value of the holding was £3.9 million on 30th June 2008 (cost – £1.9 million) and represents 32% of the net assets of Lonfin.

Finsbury has fast become one of the largest suppliers of premium cakes, bread and morning goods in the UK. The acquisitive Group currently has seven subsidiaries which supply most of the UK's major supermarket chains, including Asda, Morrisons, Sainsbury, Somerfield, Tesco and Waitrose.

A recent announcement from Finsbury confirmed that despite a tough trading environment the Group's growth prospects remained positive.

Mr. Marshall is the non-executive chairman and Mr. Beale, the Chief Executive of our subsidiary City Group P.L.C., is a non-executive director of Finsbury.

General Portfolio

The investments comprising the General Portfolio at 30th June 2008 are listed on page 10. The General Portfolio is diverse with material interests in Food and Beverages, Oil, Natural Resources, Chemicals, and Tobacco. We believe that the portfolio of quality UK and international companies we hold has the potential to outperform the market in the medium to long term.

The number of holdings in the General Portfolio has reduced to 35 from 39. We have decreased the amount invested in the General Portfolio by £188,000 (2007: increased by £694,000) over the year.

We have a £2 million bank facility in addition to the facility to cover the increased investment in Western, and at 30th June 2008 had drawn down £1.519 million. This leaves £481,000 available for further investment when the Board feels appropriate.

Operations & Employees

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

Dividend

The recommended final dividend is 0.65p, making 1.20p per share for the year (2007 – 1.10p). Subject to member's approval, the dividend will be paid on 10th October 2008 to those members registered at the close of business on 26th September 2008. Shareholders on the South African register will receive their dividend in South African Rand converted from sterling at the closing rate of exchange on 9th September 2008.

Financial Instruments

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

The main risks arising from the Group's financial instruments are interest rate, market price and liquidity. The Board reviews and agrees policies, which have remained substantially unchanged for the year under review, for managing both of these risks. The policies are summarised below.

Interest Rate Risk – The Group finances its operations through a mixture of retained profits and bank borrowings, in pounds sterling. In anticipation of rising interest rates, we have fixed the cost of borrowing on £1.5 million of our £2 million facility at 5.15% for five years. The balance of drawings under the facility will be at a rate fluctuating with base rate. On 26th June 2007 an additional facility of £1.4 million was arranged to enable the Group to subscribe for, and exercise, the Western Selection warrants. Subsequent to 30th June 2008 this facility was extended for a further two years to 31st December 2010.

Market Price Risk – The Company is exposed to market risk through the equity investments in other companies. The Company maintains a spread of investments over various sectors and monitors performance continuously. The future values of these investments will fluctuate because of changes in interest rates and other market factors.

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

Trends in Key Performance Indicators

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

	2008	2007	2006	2005
Net assets per share	38.7p	65.8p	52.1p	44.4p
(Loss)/Earnings per share	(3.21)p	1.60p	1.06p	0.81p
Dividends (net) per share	1.20p	1.10p	1.05p	1.00p

Directors' Report (continued)

Definition of KPIs used above

Net Assets per share – Net assets including investments at market value divided by the number of shares in issue at the year end.

Earnings per share – Earnings for the year divided by the weighted average number of shares in issue over the year.

Directors

A list of the directors of the Company is shown on page 2. The interests of the directors, who have held office during the year in the shares, were as follows:

	30th June 2008	30th June 2007
D.C. Marshall – Beneficial	2,301,000	2,301,000
– Non-beneficial	10,589,693*	10,589,693*
F.W.A. Lucas †	75,000	65,000
J.M. Robotham – Beneficial	30,000	30,000
– Non-beneficial	7,522,693*	6,761,693*
J.H. Maxwell	65,000	65,000

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

† Of this figure Dr. Lucas owns 60,000 shares personally and 15,000 shares are owned by Loeb Aron & Company Ltd, of which Dr. Lucas is a director and shareholder.

There have been no changes in directors' share interests between 1st July 2008 and the date of this report.

Dr. F.W.A. Lucas and Mr. J.H. Maxwell retire by rotation in accordance with the Articles of Association and, being eligible, offers themselves for re-election.

Substantial Interests

In addition to the directors' shareholdings shown above, the Company has been notified under Section 211 of the Companies Act 1985 of the following interests in 3% or more of its shares:

	Shareholding	% interest
W.T. Lamb Holdings Limited	4,600,000	14.7
Philip J. Milton & Company PLC	1,320,238	4.2
Langtry Trust Company (Channel Islands) Limited	1,200,000	3.8

Income and Corporation Taxes Act 1988

The company is not a close company as defined in Section 414 of this Act.

Auditors

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

Payment of Suppliers

The Company does not follow any code or statement on payment practice, but the policy of the Company is to abide by such payment terms as are agreed with suppliers within the terms of supply. At the balance sheet date there were no amounts due to trade creditors by the Company (2007 – days outstanding – 82, calculated on the ratio of trade creditors to total purchases).

Warrants

The Directors propose to issue, free of charge, Warrants to subscribe for ordinary shares in the Company. The Warrants will be exercisable at a fixed price of 28p each on the last day of each month from November 2008 until the Final Exercise Date which will be on or about 30th September 2010. The Warrants will be issued on the basis of 12 Warrants for every 100 shares held at the close of business on 6th October 2008 and warrant certificates will be posted at the holders risk on or about 17th October 2008. The Warrants will not be listed. Further details can be found in the Terms and Conditions of the Warrants on page 38 of these financial statements.

Special Business to be transacted at the Annual General Meeting

In addition to the ordinary business to be transacted at the Annual General Meeting of the Company referred to in resolutions 1 to 6 of the Notice of Meeting, the Directors propose certain special business as set out in Resolutions 7, 8 and 9 for the purposes summarised below:

Resolution 7 – Authority to issue Warrants - Ordinary resolution

As referred to above the Directors propose to issue Warrants to subscribe for shares and this resolution will authorise the issue of the warrants.

Resolution 8 – Authority to allot shares – Ordinary resolution

The Directors were given authority at the Annual General Meeting in October 2007 under the Companies Act 1985 (“the Act”) to allot shares up to the level of the authorised share capital. A resolution will be proposed, as an ordinary resolution, at the forthcoming Annual General Meeting, to renew the Directors authority to allot shares up to the level of the authorised share capital thereby giving them powers to conduct the business of the Company with appropriate flexibility. This resolution also gives the directors the authority to issue shares arising on the exercise of the 2010 Warrants. If passed, this resolution will grant the Directors power to allot authorised but unissued capital for a maximum period of 15 months.

Resolution 9 – Pre-emption rights – Special resolution

Section 89 of the Act requires that, when Directors propose to allot shares for cash, they must first offer such shares to existing shareholders in proportion to their existing shareholdings, unless powers have previously been given to the directors under section 95 of the Act to disapply these provisions. The directors consider it desirable for shareholders to approve this disapplication until the next Annual General Meeting, in order to permit the allotment of shares for cash in limited circumstances to persons other than shareholders. This limited disapplication will be in respect of 1,560,000 shares equal to 5% of the issued share capital of the Company.

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

Outlook

Despite very volatile markets around the world the recurring dividend income from our high quality portfolio should enable us to at least maintain our annual dividend.

By Order of the Board

CITY GROUP P.L.C.
Secretaries

12th September 2008

Composition of General Portfolio at 30th June 2008

	£000	%
Carlsberg	243	4.24
BHP Billiton	230	4.02
Nestle	228	3.98
Koninklijke DSM	207	3.62
Royal Dutch Shell	202	3.53
ABB	201	3.50
British American Tobacco	197	3.43
Beiersdorf	189	3.30
Schindler-Holdings	189	3.30
Anglo American	187	3.27
BASF	187	3.27
Imperial Tobacco Group	186	3.25
L'Oreal	186	3.25
BP	175	3.06
Lafarge	170	2.96
Investor	166	2.90
Heineken	165	2.88
Reckitt Benckiser	165	2.89
Total	163	2.85
Diageo	157	2.74
Johnson Matthey	157	2.74
Land Securities Group	153	2.67
Pernod-Ricard	149	2.60
Novartis	144	2.52
Unilever	143	2.50
ING Groep	139	2.43
Roche Holdings	136	2.38
Holcim	135	2.35
Associated British Foods	133	2.32
Richemont	126	2.21
Credit Suisse Group	125	2.18
Henkel	117	2.05
Heidelberg Cement	99	1.72
Deutsche Post	92	1.61
Swire Pacific	85	1.48
	<u>5,726</u>	<u>100.00</u>
Analysis by Currency	£000	%
Sterling	2,085	36.42
Euro	1,864	32.55
Swiss franc	1,283	22.41
Danish kroner	243	4.24
Swedish kroner	166	2.90
Hong Kong dollar	85	1.48
	<u>5,726</u>	<u>100.00</u>

Consolidated Income Statement

For the year ended 30th June

	Notes	2008 £000	2007 £000
Operating Income			
Investment operations	2	645	1,713
Management services	2	516	662
Administrative expenses			
Investment operations	2-5	(373)	(344)
Management services	2-5	(507)	(594)
Exceptional	2-5	–	(597)
Operating profit		281	840
Share of result of associated undertaking – normal		216	206
Share of result of associated undertaking – exceptional		(1,322)	(131)
Interest payable	6	(170)	(150)
(Loss)/Profit on ordinary activities before taxation		(995)	765
Tax on result of ordinary activities	7	(2)	(245)
(Loss)/Profit on ordinary activities after taxation		(997)	520
Equity minority interest		(6)	(31)
(Loss)/Profit for the financial year attributable to members of the holding company	8	(1,003)	489
Basic (loss)/earnings per share	10	(3.2)p	1.6p
Headline earnings per share	10	1.0p	4.0p

All profits and losses are on continuing activities.

The notes on pages 16 to 28 form part of these accounts.

Consolidated Statement of Changes in Shareholder's Equity

	Ordinary share capital £000	Share premium account £000	Revaluation reserve £000	Fair value reserve £000	Retained earnings £000	Total £000
Year ended 30th June 2007						
Balances at 1st July 2006	1,500	1,854	330	4,914	7,033	15,631
Profit attributable to shareholders	-	-	-	-	489	489
Fair value adjustment on listed undertakings, net of profits realised during the year and reflected in the income statement	-	-	-	4,181	-	4,181
Total income and expense for the period	-	-	-	4,181	489	4,670
New shares issued	60	474	-	-	-	534
Dividends paid in respect of the previous year	-	-	-	-	(315)	(315)
Total transactions with shareholders for the year	60	474	-	-	(315)	219
Balances at 30th June 2007	1,560	2,328	330	9,095	7,207	20,520
Year ended 30th June 2008						
Balances at 1st July 2007	1,560	2,328	330	9,095	7,207	20,520
Loss attributable to shareholders	-	-	-	-	(1,003)	(1,003)
Fair value adjustment on listed undertakings, net of profits realised during the year and reflected in the income statement	-	-	-	(6,942)	-	(6,942)
Total income and expense for the period	-	-	-	(6,942)	(1,003)	(7,945)
Dividends paid in respect of the previous year	-	-	-	-	(343)	(343)
Interim dividend paid	-	-	-	-	(172)	(172)
Total transactions with shareholders for the year	-	-	-	-	(515)	(515)
Balances at 30th June 2008	1,560	2,328	330	2,153	5,689	12,060

The notes on pages 16 to 28 form part of these accounts.

Consolidated Balance Sheet

at 30th June

	Notes	2008 £000	2007 £000
Non-current Assets			
Tangible assets	11	403	416
Investments	13(a)	<u>8,784</u>	<u>18,305</u>
		<u>9,187</u>	<u>18,721</u>
Current Assets			
Listed investments	13(b)	5,726	6,564
Accounts receivable	14	319	184
Bank balance and deposits		<u>36</u>	<u>87</u>
		<u>6,081</u>	<u>6,835</u>
Current Liabilities			
Accounts payable: falling due within one year	15	<u>(3,107)</u>	<u>(1,777)</u>
Net Current Assets		<u>2,974</u>	<u>5,058</u>
Total Assets less Current Liabilities		<u>12,161</u>	<u>23,779</u>
Deferred taxation	16	<u>-</u>	<u>(3,164)</u>
Total Assets less Current Liabilities		<u>12,161</u>	<u>20,615</u>
Capital and Reserves			
Called up share capital	17	1,560	1,560
Share premium account		2,328	2,328
Reserves		2,483	9,425
Profit and loss account	9	<u>5,689</u>	<u>7,207</u>
Equity shareholders' funds		<u>12,060</u>	<u>20,520</u>
Minority equity interests		<u>101</u>	<u>95</u>
		<u>12,161</u>	<u>20,615</u>

Approved and authorised by the Board on 12th September 2008.

D.C. MARSHALL *Director*

The notes on pages 16 to 28 form part of these accounts.

Company Balance Sheet

at 30th June

	Notes	2008 £000	2007 £000
Non-current Assets			
Tangible assets	11	397	407
Investments in Group companies	12	7,973	6,449
		<u>8,370</u>	<u>6,856</u>
Current Assets			
Listed investments	13(b)	5,726	6,564
Accounts receivable	14	19	22
Bank balance and deposits		–	33
		<u>5,745</u>	<u>6,619</u>
Current Liabilities			
Accounts payable: falling due within one year	15	(2,973)	(1,516)
Net Current Assets		<u>2,772</u>	<u>5,103</u>
Total Assets less Current Liabilities		<u>11,142</u>	<u>11,959</u>
Deferred Taxation	16	(149)	(379)
		<u>10,993</u>	<u>11,580</u>
Capital and Reserves			
Called up share capital	17	1,560	1,560
Share premium account	18	2,328	2,328
Reserves	18	1,868	2,187
Profit and loss account	9	5,237	5,505
Equity shareholders' funds		<u>10,993</u>	<u>11,580</u>

Approved and authorised by the Board on 12th September 2008.

D.C. MARSHALL *Director*

The notes on pages 16 to 28 form part of these accounts.

Consolidated Cash Flow Statement

For the year ended 30th June

	Notes	2008 £000	2007 £000
Cash inflow/(outflow) on operating activities			
Cash generated/(absorbed) by operations, including General Portfolio investment	20	4	(1,311)
Dividends receivable		458	380
Interest paid		(148)	(100)
Interest received		5	12
Taxation paid		(235)	(13)
Net cash generated/(absorbed) by operations		84	(1,032)
Investing activities			
Proceeds on sale of non-current asset investments		–	2,080
Non-current asset investments – purchased		(1,297)	(948)
Net cash (outflow)/inflow from investment activities		(1,297)	1,132
Financing			
Share capital issued		–	534
Equity dividends paid		(515)	(315)
Net drawdown/(repayment) of loan facilities	21	1,677	(403)
Net cash inflow from financing		1,162	(184)
Decrease in cash	21	(51)	(84)

The notes on pages 16 to 28 form part of these accounts.

Notes to the Accounts

For the year ended 30th June 2008

1. Accounting Policies

- (i) The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Acts 1985 applicable to companies reporting under IFRS. The accounts are prepared on the historical cost basis, except for certain assets and liabilities which are measured at fair value, in accordance with IFRS.

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

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

At the date of authorisation of these financial statements the IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued new standards and interpretations and amended or revised standards, to be applied to financial statements with periods commencing either on or after 1 July 2008 or on or after 1st January 2009. The majority of these have not been adopted by the EU and the Company has not opted for early adoption for those which have been endorsed. The Directors do not expect that the adoption of these, where applicable, would have a material impact on the Company's financial statements in the period of initial application.

- (ii) These consolidated accounts include the results of the subsidiaries (all of which are companies) for the year to 30th June 2008. Results of subsidiaries are included from their effective date of acquisition to their effective dates of disposal. The minority interests are wholly attributable to equity interests in subsidiaries. Under Section 230(4) of the Companies Act 1985, the Company is exempt from the requirement to present its own income statement.
- (iii) The consolidated accounts include the group share of the undistributed profits of its associated companies ("equity accounting"). Results of associates are included from their effective date of acquisition to their effective dates of disposal.
- (iv) Dividends receivable are taken to the credit of the income statement in respect of listed shares when the shares are quoted ex dividend, and in respect of unlisted shares when the dividend is declared.
- (v) All borrowing costs are recognised in the income statement in the period in which they are incurred.
- (vi) Depreciation is provided on Non-current assets so as to write them off over their estimated useful lives. Computer and electronic equipment expenditure of less than £2,500 is written off in the year of acquisition. The annual rates of depreciation are

Leasehold property	2% straight line
Equipment	25% straight line

1. Accounting Policies (continued)

- (vii) Financial assets are classified by category, depending on the purpose for which the asset was acquired. The company's accounting policy is as follows:
- a) Available-for-sale: Non-derivative financial assets are classified as available-for-sale and comprise the company's strategic and general portfolio investments. They are carried at fair value (based on market value) with changes in fair value recognised directly in equity and recycled through the income statement on disposal. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss in value is removed from equity and recognised in the income statement.
 - b) Unquoted investments. These are stated at cost net of impairment provisions because fair value can not be readily determined. Reviews for indications of permanent impairment are carried out at least annually.
 - c) Provision is made where the market value of current asset investments is below cost. Non-current and current asset investments are included in the balance sheet at fair value, being the market value of listed investments. Changes in unrealised gains arising between book values and fair values are recognised in equity and reported in the Statement of Changes in Shareholder's Equity on page 12. On the disposal of an investment the amount recognised in equity is transferred to the income statement.
 - d) Trade and other receivables. The carrying amount is approximate to their fair values, the transactions giving rise to these balances arising in the normal course of trade and standard industry terms.
- (viii) The charge for taxation is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because 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 timing differences arising between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Taxation charges or recoveries are recognised in the income statement, or directly to equity when related to items recognised directly to equity.
- (ix) The Group makes pension contributions to the pension schemes of certain employees which are money purchase schemes and to which it has no responsibility for unfunded liabilities.
- Share based payments, to persons other than employees are charged to the income statement at fair value at the date of payment.
- (x) Exceptional items are disclosed where they are material items which derive from events or transactions that fall within ordinary activities and which need to be disclosed by virtue of their size or incidence to give a true and fair view.
- (xi) Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities at the year-end are translated at year-end exchange rates.
- (xii) The nature and amount of material items of income or expense are disclosed separately as exceptional items.

Notes to the Accounts (continued)

For the year ended 30th June 2008

2. Operating profit – Segmental Analysis

	Investment Operations		Management Services	
	2008 £000	2007 £000	2008 £000	2007 £000
Dividends – Listed investments	323	252	–	–
Interest receivable	6	8	5	2
Rental and other income	27	27	46	46
Profits on sales of investments, including provisions	289	1,426	–	–
Management services fees	–	–	465	614
Operating income	645	1,713	516	662
Administration expenses – normal	(373)	(344)	(507)	(594)
Administration expenses – exceptional cost of Employee Benefit Trust	–	(550)	–	(5)
Administration expenses – exceptional re termination of a consultancy agreement	–	(42)	–	–
Operating profit	272	777	9	63

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

3. Administration Expenses

Administrative expenses include:

Depreciation		13	14
Auditors' remuneration – audit services		17	17
– non-audit services		3	2
Directors' emoluments – Note 4		48	48
Staff costs – Note 5		516	578

4. Directors' Emoluments and Related Party Disclosures

The Director's emoluments are detailed in the Remuneration Report on pages 33 to 35.

Related Party Disclosures

London Finance & Investment Group P.L.C. and its wholly owned subsidiary ("Lonfin"), holds 43.8% of its associate Western Selection P.L.C. ("Western") of which Mr. Marshall and Mr. Robotham are directors. Mr. Marshall and Mr. Robotham's shareholdings in Lonfin are set out in the accompanying director's report.

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

Mr. Marshall is a director and Mr. Robotham is the chairman of Marshall Monteagle Holdings S.A., and both are shareholders in Monteagle, which in turn is a substantial shareholder in Conafex Holdings S.A. and Halogen Holdings S.A. These companies are all registered in Luxembourg and operate internationally. Mr. Marshall is chairman of Halogen and Mr. Robotham is a director of Halogen. Monteagle pays an annual rental of £27,000 (2007 – £27,000) in respect of a leasehold property owned by Lonfin.

4. Directors' Emoluments and Related Party Disclosures (continued)

Lonfin and Western own City Group P.L.C. in the ratio 51.43% and 48.57% respectively. City Group P.L.C. provides offices and secretarial and administrative services to various companies in the United Kingdom and abroad which are either associated with Lonfin and Western and/or Mr. Marshall and Mr. Robotham, including all of the above companies. The various secretarial and accounting fees received by City Group P.L.C. from those companies, their associates and subsidiaries, total £446,000 (2007 – £587,000) for the year under review. At the balance sheet date the aggregate balance due in respect of fees invoiced was £153,000 (2007 – £205,000) and advance fees paid were £38,000 (2007 – nil). Settlement is within normal credit terms.

Until 31st May 2008 Mr. Robotham was an associate of J.M. Finn & Co., who are the Company's stockbrokers. He received 32% of the commission on transactions introduced by him. During the year the Company paid £7,200 (2007 – £5,800) commission to J.M. Finn & Co.

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

5. Staff Costs

Staff costs, excluding those relating to the Directors shown in the Remuneration Report on pages 33 to 35 were:

	2008 £000	2007 £000
Salaries	464	520
Social security costs	<u>52</u>	<u>58</u>
	<u>516</u>	<u>578</u>
The average weekly number of staff employed, including directors, was:	<u>13</u>	<u>15</u>

6. Interest payable

Bank interest	149	100
Share of associated undertaking's interest payable	<u>21</u>	<u>50</u>
	<u>170</u>	<u>150</u>

Notes to the Accounts (continued)

For the year ended 30th June 2008

7. Taxation

	2008 £000	2007 £000
The tax charge for the year comprises:		
Corporation tax	–	(233)
Tax on overseas investment income	(2)	(12)
	<u>(2)</u>	<u>(245)</u>
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:		
Profit on ordinary activities before taxation	<u>341</u>	<u>765</u>
Taxation at 30%	(102)	(229)
Effects of:		
Non taxable and franked income	97	114
Other rates of taxes	48	13
Loss (carried forward)/utilised	(41)	(139)
Permanent differences	(4)	(4)
Tax charge for the year	<u>(2)</u>	<u>(245)</u>

All of the tax charge for the year is tax deducted from the dividends of overseas companies. Dividends received from U.K. companies are recognised in the income statement net of their associated tax credit.

8. Profit attributable to members of the holding company

Dealt with in the accounts of: The holding company	247	517
The subsidiary undertakings	(51)	74
Western as an associated undertaking	(1,199)	(102)
	<u>(1,003)</u>	<u>489</u>

9. Statement of retained profit

	2008 £000	2007 £000
Balance at beginning of year		
Company	5,505	5,303
Subsidiary undertakings	1,828	1,754
Associated undertakings	<u>(126)</u>	<u>(24)</u>
Balance previously reported	7,207	7,033
Dividends paid during year	(515)	(315)
(Loss)/Profit for the year	<u>(1,003)</u>	<u>489</u>
Balance at end of year	<u>5,689</u>	<u>7,207</u>
Company	5,237	5,505
Subsidiary undertakings	1,777	1,828
Associated undertakings	<u>(1,325)</u>	<u>(126)</u>
	<u>5,689</u>	<u>7,207</u>

10. Earnings per share

Earnings per share are based on the (loss)/profit on ordinary activities after taxation and minority interests of £1,003,000 (2007 – profit £489,000) and on 31,200,000 (2007 – 30,631,233) shares being the weighted average of number of shares in issue during the year. There were no warrants or options outstanding at the balance sheet date and therefore no dilution of earnings.

(3.2)p 1.6p

Headline earnings per share are based on the profit on ordinary activities after taxation and minority interests before exceptional items of £319,000 (2007 – £1,217,000) and on 31,200,000 (2007 – 30,631,233) shares being the weighted average of number of shares in issue during the year.

1.0p 4.0p

11. Tangible assets

	Long Leasehold Residential Property £000	Office Equipment £000	Total £000
At Valuation – 1st July 2007	500	–	500
At cost – 1st July 2007	<u>–</u>	<u>47</u>	<u>47</u>
30th June 2008	<u>500</u>	<u>47</u>	<u>547</u>
Depreciation			
Balance – 1st July 2007	93	38	131
Charges for the year	<u>10</u>	<u>3</u>	<u>13</u>
30th June 2008	<u>103</u>	<u>41</u>	<u>144</u>
Net book amount 30th June 2008	<u>397</u>	<u>6</u>	<u>403</u>
Net book amount 30th June 2007	<u>407</u>	<u>9</u>	<u>416</u>

The group has adopted the transitional provisions of IFRS 15, under the cost model option, such that it will retain the valuation of the long leasehold property under UK GAAP. There will therefore be no future revaluations incorporated in the accounts. The other Non-current assets are held by a subsidiary company.

Notes to the Accounts (continued)

For the year ended 30th June 2008

12. Investment in group companies

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

	Percentage of equity	2008 £000	2007 £000	Principal activities
Held by the Company – at cost				
City Group P.L.C.	51.4	89	89	Management services
Lonfin Investments Ltd	100	–	–	Investment holding
– Loan to subsidiary		<u>7,884</u>	<u>6,360</u>	
		<u>7,973</u>	<u>6,449</u>	

13. Investments

(a) held as non-current assets

	Group	
	2008 £000	2007 £000
<i>(i) Listed associated undertaking</i>		
<i>Brought forward –</i>		
Shares at cost	4,864	4,816
Fair value adjustment	(150)	(150)
Shares of post acquisition losses	<u>(125)</u>	<u>(23)</u>
	4,589	4,643
Addition during year	1,297	48
Share of retained results for the year	<u>(1,126)</u>	<u>(102)</u>
	4,760	4,589
Fair value adjustment – unrealised losses	<u>(2,291)</u>	<u>(1,099)</u>
Fair value – market value	<u>2,469</u>	<u>3,490</u>
<i>(ii) Other listed investments</i>		
At cost, 1st July 2007	3,574	3,515
Additions during the year	–	900
Disposals during the year	<u>–</u>	<u>(841)</u>
	3,574	3,574
Fair value adjustment – unrealised gains	<u>2,741</u>	<u>11,241</u>
Fair value – market value	<u>6,315</u>	<u>14,815</u>
Total at 30th June 2008	<u>8,784</u>	<u>18,305</u>

(b) Held as current assets

	Company and Group	
<i>(i) Listed investments</i>		
At cost	4,290	4,477
Reduction in value	<u>(101)</u>	<u>–</u>
Book value	4,189	4,477
Fair value adjustment – unrealised gains	<u>1,537</u>	<u>2,087</u>
Fair value – market value	<u>5,726</u>	<u>6,564</u>

13. Investments (continued)

(c) Associated undertaking

Western Selection P.L.C., the associated undertaking, is a strategic investment company traded on AIM and PLUS Markets and incorporated and operating in Great Britain with a financial year end of 30th June 2008.

At 30th June 2008 it had 17,956,419 ordinary shares of 40p each in issue, of which 43.8% are owned by the Company's wholly owned subsidiary, Lonfin Investments Limited.

	Company and Group	
	2008	2007
	£000	£000
Group share of Western		
Profit before exceptional items	447	379
Exceptional impairment loss	(3,019)	–
Exceptional costs including shares issued to Employee Benefit Scheme	–	(318)
Non current asset investments	4,307	6,119
Current assets	269	9
Liabilities due within one year	<u>13</u>	<u>858</u>

14. Accounts receivable

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade debtors	171	115	–	–
Other debtors	93	21	–	10
Prepayments and accrued income	<u>55</u>	<u>48</u>	<u>19</u>	<u>12</u>
	<u>319</u>	<u>184</u>	<u>19</u>	<u>22</u>

15. Accounts payable – amounts falling due within one year

Bank loans	2,924	1,247	2,924	1,247
Group companies	–	–	24	203
Corporation tax	–	231	–	–
Other taxes	28	36	2	2
Other creditors	38	34	5	34
Trade creditors	38	72	–	6
Accruals	<u>79</u>	<u>157</u>	<u>18</u>	<u>24</u>
	<u>3,107</u>	<u>1,777</u>	<u>2,973</u>	<u>1,516</u>

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

Notes to the Accounts (continued)

For the year ended 30th June 2008

16. Deferred taxation

The Group has a potential deferred tax liability on the excess arising on the revaluation of leasehold property and on unrealised gains on investments which are reflected directly in equity. The liability is stated net of potential relief which would then become available, as set out below:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Balance at 1st July	3,164	1,363	379	90
Movement in liability on (decrease)/increase in unrealised gains – charged to equity	<u>(3,164)</u>	<u>1,801</u>	<u>(230)</u>	<u>289</u>
Balance at 30th June	<u>–</u>	<u>3,164</u>	<u>149</u>	<u>379</u>

The main components of deferred tax assets and liabilities are as follows:

Deferred tax assets

Losses	6	41	–	–
Unrelieved ACT	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>6</u>	<u>41</u>	<u>–</u>	<u>–</u>

Deferred tax liabilities

Unrealised gains on investments	–	3,199	143	373
Property revaluation surplus	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
	<u>6</u>	<u>3,205</u>	<u>149</u>	<u>379</u>

17. Share Capital

	2008 £000	2007 £000
Authorised: 35,000,000 (2007 – 35,000,000) Ordinary shares of 5p each	<u>1,750</u>	<u>1,750</u>
Allotted, issued and fully paid shares of 5p each:		
31,200,000 At 1st July	1,560	1,500
– New shares issued during the year	<u>–</u>	<u>60</u>
<u>31,200,000</u> At 30th June	<u>1,560</u>	<u>1,560</u>

During the year options over 115,924 shares were granted on an exercise price of 52p per share.

18. Company Statement of Changes in Shareholders' Equity

	Ordinary share capital £000	Share premium account £000	Revaluation reserve £000	Fair value reserve £000	Retained earnings £000	Total £000
Year ended 30th June 2007						
Balances at 1st July 2006	<u>1,500</u>	<u>1,854</u>	<u>330</u>	<u>1,218</u>	<u>5,303</u>	<u>10,205</u>
Profit attributable to shareholders	-	-	-	-	517	517
Fair value adjustment on listed undertakings, net of profits realised during the year and reflected in the income statement	-	-	-	639	-	639
Total income and expense for the period	-	-	-	639	517	1,156
New shares issued	60	474	-	-	-	534
Dividends paid in respect of the previous year	-	-	-	-	(315)	(315)
Total transactions with shareholders for the year	<u>60</u>	<u>474</u>	<u>-</u>	<u>-</u>	<u>(315)</u>	<u>219</u>
Balances at 30th June 2007	<u>1,560</u>	<u>2,328</u>	<u>330</u>	<u>1,857</u>	<u>5,505</u>	<u>11,580</u>
Year ended 30th June 2008						
Balances at 1st July 2007	<u>1,560</u>	<u>2,328</u>	<u>330</u>	<u>1,857</u>	<u>5,505</u>	<u>11,580</u>
Profit attributable to shareholders	-	-	-	-	247	247
Fair value adjustment on listed undertakings, net of profits realised during the year and reflected in the income statement	-	-	-	(319)	-	(319)
Total income and expense for the period	-	-	-	(319)	247	(72)
Dividends paid in respect of the previous year	-	-	-	-	(515)	(515)
Total transactions with shareholders for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(515)</u>	<u>(515)</u>
Balances at 30th June 2008	<u>1,560</u>	<u>2,328</u>	<u>330</u>	<u>1,538</u>	<u>5,237</u>	<u>10,993</u>

19. Pension Schemes

The Group makes pension contribution to the pension schemes of certain employees which are money purchase schemes and for which it has no responsibility for unfunded liabilities.

Notes to the Accounts (continued)

For the year ended 30th June 2008

20. Reconciliation of consolidated profit before tax to net cash flow from operating activities

	Group	
	2008	2007
	£000	£000
(Loss)/profit before tax	(995)	765
Profit on sale of non-current asset investment	–	(1,239)
Interest receivable	(5)	(12)
Interest paid	148	100
Share of associate (including exceptionals)	1,106	(75)
Share of interest paid by associate	21	50
Dividends receivable	(323)	(253)
Depreciation charges	13	14
(Increase)/Decrease in debtors	(135)	12
(Decrease)/increase in creditors	(115)	56
Decrease/(increase) in current asset investments	289	(729)
Net cash inflow/(outflow) from operating activities	4	(1,311)

21. Reconciliation of consolidated net cash flow to movement in net debt

	At start of year £000	Cash flow £000	At end of year £000
2007/2008			
Cash at bank	87	(51)	36
Bank loan	(1,247)	(1,677)	(2,924)
	<u>(1,160)</u>	<u>(1,728)</u>	<u>(2,888)</u>
2006/2007			
Cash at bank	171	(84)	87
Bank loan	(1,650)	403	(1,247)
	<u>(1,479)</u>	<u>319</u>	<u>(1,160)</u>

22. Operating leases

City Group has an operating lease commitment in respect of an office property in the range two to five years, entered into on 12th July 2005. The minimum amount payable in the next twelve months is £43,875. The Company has guaranteed the obligations under this lease.

23. Financial Instruments

The Directors' Report on page 7 provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving their objectives that have been followed during the year. The Company monitors its performance against these objectives on a continuous basis and through bi-monthly reports of the investments portfolio and cash position.

The categories of financial instruments used by the Company are:

	2008 £000	2007 £000
Financial assets		
Available for sale		
Non-current investments	8,784	18,305
Current asset investments	5,726	6,564
Loans and receivables		
Trade and other receivables	319	184
Cash at bank	36	87
Financial liabilities		
Other		
Trade and other payables	183	530
Bank overdrafts	2,924	1,247

Interest Rate Profile

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.

Borrowings represent Sterling loans. It has a £2 million facility under which the first £1.5 million of any borrowings are at a fixed rate of 5.15% and any balance at a variable interest rate fluctuating with base rate. The effective rate of interest for the year was 5.66% (2007 – 6.04%). In addition the company negotiated a further facility of £1,405,000 on 26th June 2007 at base rate plus one percent to assist in the acquisition of further investment in Western. This facility is secured on the Company's general portfolio and one of the Group's strategic investments. All of this facility had been drawn at the balance sheet date. Since the balance sheet date the repayment date for this facility has been extended to 31st December 2010. The sensitivity of the Group to a 1% change in interest rates would have been £16,000 in the current year. (2007 – £30,000).

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.

	2008 £000	2007 £000
Currency		
Euro	1,864	1,943
Swiss franc	1,283	1,439
Danish kroner	243	181
Swedish kroner	166	202
Hong Kong dollar	85	–
	<u>3,641</u>	<u>3,765</u>

The sensitivity to a 1% change in the sterling exchange rate would be to increase or decrease the fair values as set out by £36,000 in aggregate (2007 – £38,000).

Notes to the Accounts (continued)

For the year ended 30th June 2008

23. Financial Instruments (continued)

Market Risk

The fair values of the investments within the general and strategic portfolios are 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 can not be readily determined.

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

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

The sensitivity to each 1% decrease in the value of investments would result in the fair values of non current asset investments decreasing by £88,000 and a corresponding increase in the negative fair value reserve. A 1% increase, would, on the same basis, increase fair values and decrease the negative fair value reserve. The same percentage increase/decrease in the current asset investments would increase/decrease carrying values by £36,000 and fair value reserve (or earnings where a decline was below cost) by an equal amount.

Credit risk

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

24. Reserves

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

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Revaluation reserve	Accumulated excess of the valuations of long leasehold property.
Fair value reserve	Cumulative net gains and losses recognised direct to equity.
Retained earnings	Cumulative net gains and losses recognised in the income statement.

The Company considers its capital to comprise its ordinary share capital, share premium, revaluation reserve and fair value reserves and accumulated retained earnings. The Company's primary objective in managing its capital is to provide, over the long term, real growth in value for shareholders through a combination of capital growth and distributions. The Company controls its gearing ratio through the policy is of maintaining investments to an aggregate market value of at least 150% of borrowings at any point in time.

Corporate Governance

Corporate Governance is the process by which companies are controlled and directed. The Financial Reporting Council has issued the Combined Code (the Code) that provides UK listed companies with principles and detailed provisions on what constitutes best practice in Corporate Governance. Directors are required to report to shareholders on how the Company applies the principles and confirm that the Company complies with the Code's provisions or explain why it does not.

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

Composition of the Board

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

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

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

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

Workings of the Board

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

The Board operates through three committees, the Investment Committee comprising David Marshall and Michael Robotham, the Nomination Committee comprising Michael Robotham and Frank Lucas, and the Audit Committee comprising Frank Lucas and John Maxwell. All decisions not specifically delegated to a Committee are reserved for the Board. There is no Remuneration Committee as there are no executive directors. The remuneration of directors is limited by the Company's Articles of Association and set out in detail in the statutory accounts. The remuneration of the executive directors and employees of the Company's subsidiary, City Group P.L.C., is determined by the board of City Group, which includes Mr. Marshall and Mr. Robotham.

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

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

Corporate Governance (continued)

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

The Board met on six occasions during the year following a formal agenda. It met two further times by telephone for ad-hoc reasons (allotment of shares and approval of bank facility). Attendance at board meetings during the year is shown in the following table:

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

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

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

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

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

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

The Board is aware of the requirement in the revised Combined Code of Corporate Governance to evaluate its own performance and that of its committees and individual directors and has adopted an appropriate process to achieve this.

Audit Committee

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

There is a well-established system of internal controls set within a framework of clearly defined structures and accountabilities with well understood policies and procedures; supported by training, budgeting, reporting and review procedures. The Group has defined guidelines for investment appraisal, having regard to yield and capital growth. Board decisions are implemented on a day to day basis by the subsidiary company, City Group P.L.C. The

framework for internal financial control established in that company has been reviewed by the Board and is regarded as effective. The reporting and review procedures provide routine assurance to the Board as to the adequacy and effectiveness of internal controls. The Board recognise that it is not possible to divide some functions as would be the case in larger organisations and accepts that close supervision is necessary. The directors have considered the need for an internal audit function and do not believe that one is appropriate because monitoring processes are applied to give reasonable assurance to the Board that the systems of internal control are functioning as intended.

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

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

Nomination Committee

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

Going Concern

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

Shareholder Communications

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

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

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

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and for the profit or loss of the Group for that year. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures that are disclosed and explained in the financial statements;
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Remuneration Report

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

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

Unaudited Information

Remuneration Committee

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

Remuneration Policy

The Company's remuneration policy is as set out in Articles of Association and applies to both executive and non-executive directors. Briefly, it limits the remuneration of directors to £10,000 and allows for higher payments to be made to the Executive Chairman.

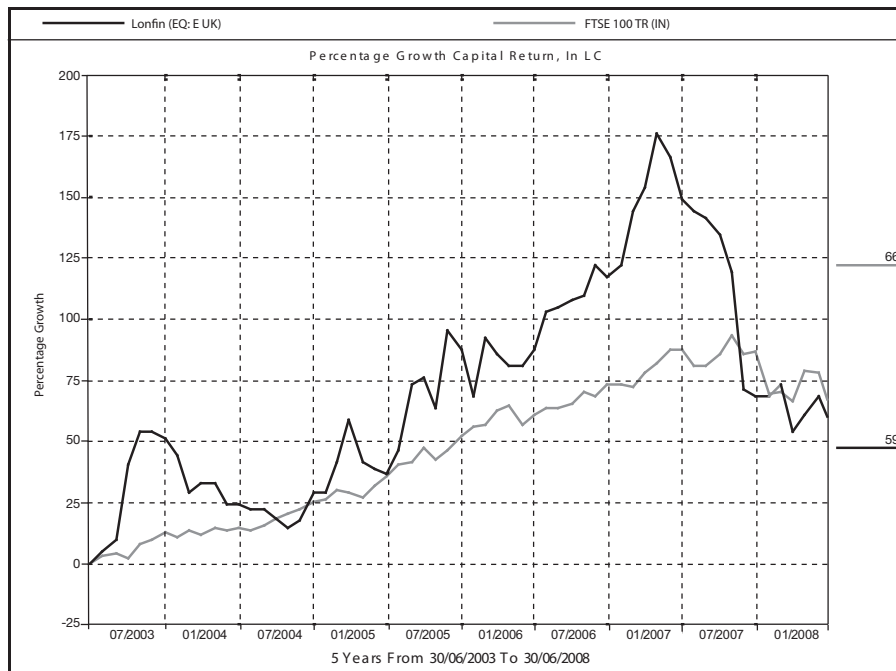
Approved Share Option Scheme

During the year the Board issued options over 115,384 shares, exercisable at 52p each, under the Approved Share Option Scheme to employees of the Group. Performance conditions are attached to the options granted which include targets for growth in shareholder value.

Remuneration Report (continued)

Performance Graph

Lonfin Total Shareholder Return v FTSE 100 Share Index



The above graph shows Lonfin's Total Shareholder Return (TSR) performance compared to the TSR of the FTSE 100 index over the past five years. The company's main activity is that of an investment company and the Board believes that because the portfolio concentrates on FTSE 100 companies, or European equivalents, that this index is best suited as the comparator index. The Company is not a part of the FTSE 100 Share 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.

Audited Information

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

Service Contracts

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

Audited Information (continued)

Directors' Remuneration

The remuneration of the directors during the year comprised:

	Directors' fees £	2008 Other benefits £	Total £	2007 Total £
Executive Chairman				
Mr. D.C. Marshall	15,000	Nil	15,000*	15,000
Non-executive directors				
Mr. J.H. Maxwell	7,500	Nil	7,500	7,500
Dr. F.W.A. Lucas	7,500	Nil	7,500†	7,500
Mr. J.M. Robotham	17,500	Nil	17,500♣	17,500

* Mr. Marshall ceded his fees of £15,000 (2007 – £15,000) for the year to an overseas company which supplies his services and in which none of the directors are beneficially interested. The Chairman received no other payment or benefits from the Company.

† Dr Lucas ceded his fees of £7,500 (2007 – £7,500) to his primary employer.

♣ Of this sum, £7,500 (2007 – £7,500) relates to Mr. Robotham's fees paid by the Company and the balance is in respect of fees received from the subsidiary, City Group P.L.C.

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

The Company does not pay bonus payments to any director.

Share Options

None of the directors have any options over shares of the Company.

Long Term Incentives

The Company will consider these in the light of changing legislation, but has no plans to adopt long-term incentives for Directors.

Pensions

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

On behalf of the Board

DAVID MARSHALL
Chairman

12th September 2008

Report of the Independent Auditors

TO THE MEMBERS OF LONDON FINANCE & INVESTMENT GROUP P.L.C.

Financial Statements

We have audited the group and parent company financial statements (the “financial statements”) of London Finance & Investment Group PLC for the year ended 30th June 2008 which comprise the Consolidated Income Statement, The Statement of Changes in Shareholder Equity, the Consolidated Balance Sheet, the Company Balance Sheet and the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors’ Remuneration Report that is described as being audited.

This Report is made solely to the Company’s members as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company’s members those matters that we are required to state them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described on page 32 the Company’s directors are responsible for the preparation of the annual report, the Directors’ remuneration report and the financial statements in accordance with applicable law and International Financial reporting Standards (IFRSs) as adopted by the European Union (EU).

Our responsibility is to audit the financial statements and the part of the Directors’ remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors’ Report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations required for our audit, or if the information specified by law regarding Directors’ remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement set out on pages 29 to 31 reflects the Company’s compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group’s corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Results in Brief, the Chairman’s Review, the Directors’ Report, the Corporate Governance Statement, the Summary of Results and the General Equity Portfolio. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes assessment of significant estimates and judgements made by the Directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

The group financial statements give a true and fair view, in accordance with IFRS's as adopted by the EU, of the state of the group's affairs as at 30th June 2008 and of the Group's profit and cash flow for the year then ended;

The parent company financial statements give a true and fair view, in accordance with the IFRS's as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs at 30th June 2008.

The financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

The information given in the Directors' report is consistent with the financial statements.

STEELE ROBERTSON GODDARD

Chartered Accountants

Registered Auditors

28 Ely Place,
LONDON EC1N 6AA
12th September 2008

Terms and Conditions of the 2010 Warrants

The following is a summary of the principal terms and conditions of the 2010 Warrants:

1. Subscription rights

- 1.1 A registered holder for the time being of a Warrant ("Warrantholder") has subscription rights at any time up to the Final Exercise Date, being 14 days after the dispatch of the annual report of the Company in 2010 (or if such date is not a Business Day, the next following Business Day) ("the Exercise Date"), to subscribe in cash for one share at a price of 28p ("the Exercise Price"), payable in full on subscription.
- 1.2 In order to exercise the subscription rights in whole or in part a Warrantholder must lodge the Warrant certificate or certificates (or such other evidence as the Directors ("the Directors") of London Finance & Investment Group P.L.C. ("Lonfin") may reasonably require as proof of the title of the person exercising the subscription rights) at the offices of the Warrant Registrar (being Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU) of Lonfin at any time up to the Final Exercise Date, having completed the subscription notice on the reverse thereof (or accompanied by such other written notice as the Directors may approve) and specifying the number of Lonfin Shares in respect of which the subscription rights are to be exercised accompanied by a remittance for the subscription price of the Lonfin Shares in respect of which the subscription rights are exercised. Once lodged, a subscription notice shall be irrevocable save with the consent of the Directors and shall take effect from the Exercise Date. Compliance must also be made with any statutory requirements for the time being applicable.
- 1.3 The Warrants are exercisable on the last day of every month ("the Exercise Date") from 30th November 2008 until the Final Exercise date (which is expected to be on or around 30th September 2008). Accordingly no notices to remind Warrant holders of their subscription rights need be sent out save for the Final Exercise Date when not earlier than five weeks nor later than three weeks before the Final Exercise Date, Lonfin shall give notice to the Warrantholders by means of a notice sent by post to each Warrantholder at their address as specified in the register of Warrantholders.
- 1.4 Subject to payment being correctly received in respect of the Exercise Price, Lonfin Shares will be issued pursuant to the exercise of subscription rights on four occasions a year, not later than 14 days after each of 31st March, 30th June, 30th September and 31st December ("the Issue Dates") and share certificates in respect of such ordinary Lonfin Shares will be issued free of charge and dispatched (at the risk of persons entitled thereto) not later than 28 days after the Issue Date to the persons in whose names the Warrant(s) are registered at the date of such exercise or to such other persons as may be named in a form of nomination on the reverse of the Warrant certificate. Pending the issue of certificates in respect of new Lonfin Shares resulting from the exercise of Warrants, transfers of new Lonfin Shares will be certified by the Company's Registrar.
- 1.5 If any Warrants are not exercised by the Final Exercise Date (being 14 days after the despatch of the annual report of the Company for the year end in 2010), the Directors will have the right to place such un-exercised Warrants for the benefit of the Company with institutions or individuals who may then subscribe for new Lonfin Shares at the Exercise Price of 28p each, thus enabling the Company to maximise the amount of expected proceeds from the Warrants.
- 1.6 Lonfin Shares allotted pursuant to the exercise of the Warrants will rank *par passu* with any existing Lonfin Shares for dividends or other distributions, it being, however, understood that the Lonfin Shares issued upon the exercise of the Warrants will not rank for dividends or other distributions declared, made or paid on the Lonfin Shares prior to the Issue Date of the Lonfin Shares relating to the exercise of the Warrants.

1.7 Applications will be made to the London Stock Exchange and the JSE for the Lonfin Shares issued pursuant to any exercise of subscription rights to be admitted to trading and Lonfin shall use all reasonable endeavours to obtain the admission thereof not later than 28 days after the Issue Date.

2. Other provisions

2.1 Lonfin shall not issue securities by way of capitalisation of profits or reserves unless in either case it shall first have received the consent of Warrantheolders holding at least 75 per cent. of the Warrants.

2.2 Lonfin shall not in any way modify the rights attached to the Lonfin Shares as a class (but nothing herein shall restrict the right of Lonfin to increase or to consolidate or sub-divide its share capital), or create or issue any new class of equity share capital which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the Lonfin Shares unless it shall first have received the consent of Warrantheolders holding at least 75 per cent. of the Warrants.

2.3 Lonfin shall not, except with the sanction of an extraordinary resolution (as hereafter described in this clause) of the holders of the Warrants, reduce its share capital or any uncalled or unpaid liability in respect of its share capital or any share premium account or capital redemption reserve unless in either case the reduction does not involve either the diminution of liability of unpaid share capital or the repayment to any shareholder of any paid-up share capital. An extraordinary resolution of the Warrantheolders means a resolution proposed at a meeting of the Warrantheolders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast whether on a show of hands or on a poll.

2.4 Lonfin shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable.

2.5 If at any time an offer or invitation is made by Lonfin to the holders of the Lonfin Shares for the purchase by Lonfin of any of its shares, Lonfin shall simultaneously give notice thereof to the registered holders of the Warrants and each such holder shall be entitled, at any time whilst such offer or invitation is open for acceptance to exercise his subscription rights on the terms on which the same could have been exercised on an Exercise Date so as to take effect as if he had exercised his rights immediately prior to the record date of such offer or invitation.

2.6 If at any time an offer is made to all holders of Lonfin Shares (or all holders of Lonfin Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued share capital of Lonfin and Lonfin becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of Lonfin has or will become vested in the offeror and/or such persons or companies as aforesaid, Lonfin shall give notice to the Warrantheolders within 14 days of it becoming so aware, and each Warrantheolder shall be entitled, at any time whilst such offer is open for acceptance, to exercise his subscription rights on the terms on which the same could have been exercised on an Exercise Date so as to take effect as if he had exercised his rights immediately prior to the record date of such offer. Publication of a scheme of arrangement providing for the acquisition by any person of the whole or any part of the issued share capital of Lonfin shall be deemed to be the making of an offer for the purposes of this sub-paragraph 2.6.

2.7 If an order is made or an effective resolution is passed for winding-up Lonfin (except for the purpose of reconstruction, amalgamation or merger on terms sanctioned by an extraordinary resolution of the Warrantheolders in which case the Warrantheolders shall be entitled to be granted by the reconstructed, amalgamated or merged company a substituted Warrant of the value of the Warrants immediately prior to such reconstruction, amalgamation or merger), each Warrantheolder shall (if in such winding-up and on the basis that all Warrants then unexercised which have not lapsed had been exercised in full and the

Terms and Conditions of the 2010 Warrants (continued)

subscription moneys for the relevant Lonfin Shares had been received in full by Lonfin, there would be a surplus available for distribution amongst the holders of the Lonfin Shares which, on such basis, would exceed in respect of each share a sum equal to the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercisable and had been exercised in full, on the terms on which the same could have been exercised on an Exercise Date and shall, accordingly, be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Lonfin Shares such a sum as he would have received had he exercised his subscription rights in full and become the holder of the Lonfin Shares to which he would have become entitled by virtue of such subscription after deducting a sum per share equal to the subscription price. Subject to the foregoing, all subscription rights shall lapse on the date that Lonfin enters into liquidation or winding-up.

3. Modification of rights

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not Lonfin is being wound-up) be altered or abrogated by Lonfin with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Warrants. The votes of Warrantheolders cannot be included or taken account of in the votes cast by shareholders of Lonfin at a duly convened meeting of shareholders. That, notwithstanding, all the provisions of the Articles of Association for the time being of Lonfin as to general meetings shall *mutatis mutandis* apply to such separate general meetings as though the Warrants were a class of Lonfin Shares forming part of the capital of Lonfin but so that (i) the necessary quorum shall be the holders (present in person or by proxy) entitled to subscribe for one-third in nominal amount of the Lonfin Shares attributable to such outstanding Warrants; (ii) every Warrantheolder (present in person or by proxy) at any such meeting shall be entitled on a poll to one vote for every share for which he is entitled to subscribe; (iii) any Warrantheolder (present in person or by proxy) may demand or join in demanding a poll; and (iv) at any adjourned meeting, those Warrantheolders (present in person or by proxy) shall be a quorum (whatever the number of Warrants held or represented by them).

4. Transfer

Each Warrant will be registered and will be transferable upon registration of transfer of title in the register of Warrantheolders. Intention to transfer title will be evidenced by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors (signed by or on behalf of both the transferor and the transferee). Lonfin may refuse to register any transfer of Warrants unless it is duly stamped and lodged at the office of the Warrant Registrar of Lonfin (or such other place as the Directors may appoint) accompanied by a certificate for the Warrants to be transferred and such other evidence as the Directors may reasonably require to show the right of the intending transferor to make the transfer. A new Warrant certificate will be issued to the new Warrantheolder.

5. General

Lonfin will concurrently with the issue of the same to the holders of Lonfin Shares, send to each registered holder of a Warrant (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of Lonfin, together with all documents required by law to be annexed thereto and copies of all other documents issued by Lonfin to holders of Lonfin Shares. The Warrants are governed by English Law.

Summary of Results

For the five years ended 30th June 2008

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Consolidated Income statement					
Operating income					
Dividends, interest and other income	872	949	796	708	715
Surplus on investments	289	1,426	401	365	225
Operating expenses	(880)	(938)	(934)	(845)	(799)
Exceptional expenses	–	(597)	–	–	–
Interest payable	(170)	(150)	(123)	(116)	(72)
Group income/(loss) before tax	111	690	140	112	69
Taxation	(2)	(245)	(4)	(12)	(9)
Group income after tax	109	445	136	100	60
Share of (losses)/profits of associates	(1,106)	75	169	90	139
Minorities	(6)	(31)	(2)	22	(9)
(Loss)/Earnings attributable to shareholders	(1,003)	489	303	212	190
Consolidated Balance Sheet					
Issued share capital	1,560	1,560	1,500	1,310	1,295
Share premium and other reserves	4,811	11,753	7,099	3,332	1,186
Income statement	5,689	7,207	7,032	6,992	7,013
Shareholders' funds (all equity)	12,060	20,520	15,631	11,634	9,494
Minority interests	101	95	64	61	82
	12,161	20,615	15,695	11,695	9,576
Disposition of Capital					
Non-current Assets	9,187	18,721	13,677	9,207	7,017
Current assets					
Listed investments	5,726	6,564	4,907	4,265	3,679
Other current assets	319	184	196	178	272
Cash and deposits	36	87	171	48	30
	6,081	6,835	5,274	4,491	3,981
Liabilities and deferred tax	(3,107)	(4,941)	(3,256)	(2,003)	(1,422)
	12,161	20,615	15,695	11,695	9,576
Net assets per share	38.7p	65.8p	52.1p	44.4p	36.6p
Earnings/(Loss) per share – before exceptional items	1.02p	3.97p	1.06p	0.81p	0.74p
– after exceptional expenses	(3.21)p	1.60p	1.06p	0.81p	0.74p
Dividends (net) per share	1.20p	1.10p	1.05p	1.00p	0.90p

The comparative figures have been restated from a UK GAAP basis to the IFRS basis adopted for the first time in 2006. Shareholders' funds now reflect the market value of investments less the potential taxation which would arise, and the recognition of proposed dividends in the year following that for which they were declared, when a legal liability to pay was established.

Notice of Annual General Meeting

NOTICE is hereby given that the ANNUAL GENERAL MEETING of London Finance & Investment Group P.L.C. will be held at the offices of City Group P.L.C., 30 City Road, London, EC1Y 2BQ on Monday 6th October 2008 at 10.00 a.m. for the following purposes:

1. To receive the Directors' Report and Accounts for the year ended 30th June 2008.
2. To receive and adopt the Remuneration Report for the year ended 30th June 2008.
3. To declare a dividend.
4. To re-elect Dr. F.W.A. Lucas a director.
5. To re-elect Mr. J.H. Maxwell a director.
6. To re-appoint the auditors Steele Robertson Goddard and to authorise the Directors to fix their remuneration.

Special Business

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

7. That the issue of up to 3,744,000 Warrants to subscribe for ordinary shares of 5p each be and is hereby approved.
8. That the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985 ("the Act")) as follows:
 - (i) other than pursuant to paragraph (ii) below, up to a maximum nominal amount of £190,000 (representing 3,800,000 shares) to such persons at such times and on such terms as they think proper during the period expiring at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution;
 - (ii) up to an aggregate nominal amount of £187,200 (representing 3,744,000 shares) in connection with the exercise and subscription for shares pursuant to the terms of the 2010 Warrants;

and that the Company be and is hereby authorised to make prior to the expiry of such period referred to in paragraph (i) above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period that the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution.

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

9. That the directors be and are hereby empowered in accordance with Section 95 of the Act to allot securities of the Company (as defined in Section 94(2) of the Act) for cash pursuant to the authority conferred on them to allot relevant securities pursuant to Resolution 8 above as if section 89(1) of the Act did not apply to such allotment, provided that the power conferred by this resolution shall be limited to:
 - (a) the allotment and issue of equity securities in connection with an issue or offering by way of rights, bonus issues or other similar issues in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and

persons are proportionate (as nearly as may be) to the respective numbers of equity held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or any territory:

- (b) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities for cash up to an aggregate nominal value not exceeding £78,000 (representing 1,560,000 shares) which is approximately 5% of the issued share capital

and this power, unless renewed, shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require such securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

30 City Road,
London EC1Y 2AG.

12th September 2008

By Order of the Board,
CITY GROUP P.L.C.
Secretaries

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

A proxy need not be a member of the company.

A form of proxy is enclosed. To be valid it should be completed and returned so as to reach the registrars not less than 48 hours before the time Non-current for the meeting. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person.

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

Change of Address Members are requested to advise the United Kingdom Registrars, Capita Registrars, or the South African Registrars, Computershare Investor Services 2004 (Pty.) Limited of any change of address.

