

London Finance & Investment Group P.L.C.

(the 'Company')

Unaudited Interim Results for the six months ended 31st December 2016 and dividend declaration

The Company today announces its unaudited interim results and dividend declaration for the six months ended 31st December 2016 (the 'Interim Statement').

Chairman's Statement

Introduction

As an investment company our target is to achieve growth in shareholder value in real terms over the medium to long term. In the short term our results can be influenced by overall stock market performance, particularly the valuation of our Strategic Investments. We continue to believe that a combination of Strategic Investments and a General Portfolio is the most effective way of achieving our aims. Strategic Investments are significant investments in smaller UK quoted companies where we have expectations of above average growth over the medium to longer term and these are balanced by a General Portfolio which consists of investments in major U.S., U.K. and European equities.

At 31st December 2016, we held two Strategic Investments: Western Selection P.L.C., and Finsbury Food Group plc. Detailed comments on our Strategic Investments are given below.

Change in accounting policies

The Board have decided to early adopt IFRS 9 with effect from this accounting period, and the comparatives in the income statement have been restated to reflect the resulting change in accounting policy. Strategic investments are a fundamental part of the Company's investment strategy to secure long term capital appreciation and by their very nature the investments are largely illiquid. Consequently the directors have elected to present the unrealised changes in value of these specific investments as part of other comprehensive income as it better reflects the underlying performance of the Company within its primary statements. This does not change the basis of valuation or the amounts reported in the statement of financial position. The effect of the change in accounting policy is further described in Note 1 below.

Results

Our net assets per share increased 5.6% to 64.9p at 31st December 2016 from 61.4p at 30th June 2016. Our Strategic Investments, adjusting for the disposal of part of the investment in Finsbury Foods, which realised a profit of £1,862,000, increased in value by 8% during the period. Our General Portfolio increased by 4.5%, compared with increases of 9.8% and 10.3% in the FTSE 100 index and the FTSEurofirst 300 Index respectively, over the half year. At the close of business on 15th February 2017, our net asset value was 66.1p per share.

The Group profit before tax for the half year was £2,171,000 compared to a restated profit of £1,586,000 for the same period last year. The main differences between these two periods being in the amounts recognised as: profit realised from the disposal of part of the investment in Finsbury Food, and the unrealised changes in the value of General Portfolio investments. Our profit after

tax and minority interest was £1,815,000 (2015: £1,315,000 restated) giving earnings per share of 5.8p (2015: 4.2p restated).

Strategic Investments

Western Selection P.L.C. (“Western”)

The Group owns 7,860,515 Western shares, representing 43.8% of Western's issued share capital.

On 10th February 2017, Western announced a profit after tax of £455,000 for its half year to 31st December 2016 and earnings per share of 2.5p (2015: earnings per share of 0.4p). Western's net assets at market value were £15,018,000 equivalent to 84p per share, an increase of 6.3% from 75p at 30th June 2016. Western has announced an interim dividend of 1.1p per share (2015: 1.05p per share).

The market value of the Company's investment in Western at 31st December 2016 was £3,694,000 representing 18% of the net assets of Lonfin. The underlying value of the investment in Western, valuing Western's own investments at market value, was £6,578,000 (30th June 2016: £6,227,000).

I am the Chairman of Western and Mr. Michael Robotham and Mr Edward Beale are Non-Executive Directors.

Western's principal core holdings are in Northbridge Industrial Services plc, Swallowfield plc, Bilby Plc and Tudor Rose International (previously Hartim Limited). Extracts from Western's announcement, on 10th February 2017, on its core holdings are set out below:

Northbridge Industrial Service plc (“Northbridge”)

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

Northbridge's latest results, for the half year to 30th June 2016, showed a loss after tax of £2,338,000 for the period (2015: loss after tax of £1,936,000). No interim dividend was declared (2015: 1p per share).

Western owns 3,223,632 Northbridge shares, representing 12.45% of [Northbridge's issued share capital. The market value of this investment at 31st December 2016 was £3,546,000 (30th June 2016: £2,772,000), representing 24% of Western's assets.

I am a Non-Executive Director of Northbridge.

Swallowfield plc (“Swallowfield”)

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

Swallowfield announced its annual results to 25th June 2016 in September 2016 showing a profit after tax of £2,001,000 compared to a profit of £746,000 for the prior year. We received a dividend from Swallowfield during the period of £52,000 (2015: £37,383).

In September 2016, we disposed of 200,000 Swallowfield shares for £520,000 (before selling expenses) and in November 2016 we disposed of a further 50,000 shares for £135,000 (before selling expenses). The market value of the Company's holding of shares in

Swallowfield on 31st December 2016 was £4,550,000 (30th June 2016: £3,570,000), representing 30% of the Company's assets.

In January this year, we disposed of a further 120,000 Swallowfield shares for £318,000 (before selling expenses). Western now owns 1,630,000 Swallowfield shares (representing 9.66% of Swallowfield's issued share capital).

Mr Edward Beale is a Non-Executive Director of Swallowfield.

Bilby Plc

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

Bilby announced its interim results for the six month period to 30th September 2016 on 16th December 2016 showing a loss after tax of £833,000. Bilby paid a final dividend of 2.00p per share in September 2016 which provided us with income of £47,000 and an interim dividend of 0.25p per ordinary share has been paid in February 2017 which provided us with further income of £6,000.

At 30th June 2016, Western owned 2,337,088 Bilby shares. Further investments of £32,000 for 62,912 Bilby shares, and £58,000 for 100,000 Bilby shares, were made in December 2016 and February 2017 respectively. Western now holds 2,500,000 Bilby shares which represents 6.3% of Bilby's issued share capital. The market value of the Company's holding in Bilby on 31st December 2016 was £1,344,000 representing 9% of the Company's assets.

Tudor Rose International Limited (previously Hartim Limited) ("Tudor Rose International")

Tudor Rose International works closely with a number of leading UK branded fast moving consumer goods companies, offering a complete sales, marketing and logistical service. Based in Stroud, Gloucestershire, Tudor Rose International sells into 78 countries worldwide including USA, Spain, Portugal, Italy, Czech Republic, Russia, Turkey, South Africa, Saudi Arabia, UAE, Malaysia, Australia and China.

Our share of Tudor Rose International's estimated results for the period ended 31st December 2016 is a profit after tax of £57,000 (2015 - profit after tax of £51,000).

At 31st December 2016, Western owned 49.5% of Tudor Rose International. The carrying value of the Company's equity investment in Tudor Rose International on 31st December 2016 was £654,000 (2015: £613,000) representing 4% of the Company's assets. In addition, loans of £442,000 (equivalent to a further 3% of the Company's assets) were outstanding at 31st December 2016 from Tudor Rose International and its executive directors. £250,000 was repaid by Tudor Rose International in December and we have agreed that the balance of the loan to Tudor Rose International (£250,000) will be rolled over into preference shares. Subsequent to the period end we have advanced an additional £250,000 to subscribe for preference shares and agreed to invest a further £500,000 in preference shares to support the evolution of their business model.

Mr. Edward Beale and I are Non-Executive Directors of Tudor Rose International.

Finsbury Food Group plc ("Finsbury Food")

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

In September 2016, Finsbury Food announced audited profits on continuing operations after tax and minority interests of £8,504,000 for the 52 week period ended 2nd July 2016 (2015:

£6,620,000). Finsbury Food paid a final dividend of 1.87p per share which provided us with income of £112,000.

At 30th June 2016, the Group held 8,000,000 shares in Finsbury Food representing 6.1% of their then issued share capital. On 27th September 2016, we sold 1,000,000 Finsbury Food shares for £1,200,000 (before selling expenses) and, on 29th September 2016, we sold a further 1,000,000 Finsbury Food shares for £1,250,000 (before selling expenses). The Company now holds 6,000,000 Finsbury Food shares which represent 4.6% of Finsbury Food's issued share capital. The market value of our holding was £7,320,000 on 31st December 2016; this represents 36% of the net assets of Lonfin.

Finsbury Food will be announcing their interim results in March 2017.

Mr Beale was a Non-Executive Director of Finsbury Food until 24th November 2016.

General Portfolio

The list of investments included in the General Portfolio is set out at the end of this announcement. We continue to hold 26 investments, having invested a net £1,492,000 in the period, financed by funds from the sale of part of our investment in Finsbury Food.

Lloyd Marshall

It was with great sadness that we announced on 23rd November 2016, the death of Mr Lloyd Marshall. He was a highly valued member of the management team who brought a wealth of experience, knowledge and common sense to the Company along with strong principles.

Outlook

The Board expect to see a continuation of the volatility in equity and currency markets and remain cautious about the remainder of the year.

The Board has declared an interim dividend of 0.55p per share (2015: 0.50p).

20th February 2017

D.C. MARSHALL
Chairman

Interim Dividend

The declared interim dividend is 0.55p per share (9.09791 ZAR cents) (2015: 0.50p) and will be paid on Friday 7th April 2017 to those members registered at the close of business on Friday 17th March 2017 (SA and UK). Shareholders on the South African register will receive their dividend in South African Rand converted from sterling at the closing rate of exchange on Friday 3rd February 2017 being GBP 1 = ZAR 16.54165.

In respect of the normal gross cash dividend, and in terms of the South African Tax Act, the following dividend tax ruling only applies to those shareholders who are registered on the South African register on Friday 17th March 2017. All other shareholders are exempt.

- The dividend has been declared from income reserves, which funds are sourced from the Company's main bank account in the UK and is regarded as a foreign dividend by South African shareholders.
- The gross dividend in ZAR cents is 9.09791 cents.
- The dividend withholding tax rate is 15% resulting in a net dividend of 0.46750 pence (7.73322 ZAR cents) per share to those shareholders who are not exempt from the dividend withholding tax.

The issued number of shares as at the declaration date is 31,207,479.

The Company's UK Income Tax reference number is 948/L32120.

Salient dates for dividend:

Last day to trade (SA)	Tuesday 14 th March 2017
Shares trade ex dividend (SA)	Wednesday 15 th March 2017
Shares trade ex dividend (UK)	Thursday 16 th March 2017
Record date (SA and UK)	Friday 17 th March 2017
Pay date	Friday 7 th April 2017

Share certificates may not be de-materialised or re-materialised between Wednesday 15th March 2017 and Friday 17th March 2017, both dates inclusive. Shares may not be transferred between registers during this period either.

Statement of Directors' responsibility

The Directors confirm that, to the best of their knowledge:

- the unaudited interim results for the six months ended 31st December 2016, have been prepared in accordance with IAS 34 as adopted by the EU; and
- the Interim Statement includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules.

The Directors accept responsibility for the contents of this Interim Statement.

Neither this Interim Statement nor any future interim statements of the Company will be posted to shareholders. The Interim Statement is available as follows:

- on the Company's website at www.city-group.com/london-finance-investment-group-plc/;
and
- by writing to City Group P.L.C., the Company Secretary, at 6 Middle Street, London EC1A 7JA

This Interim Statement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

For further information, please contact:

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Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Half year ended 31 st December		Year ended 30 th June
	2016	Restated 2015	Restated 2016
	£000	£000	£000
Operating Income			
Dividends received	265	270	550
Rental and other income	50	41	82
Profit on sales of investments, including provisions	1,981	1,448	1,448
	<u>2,296</u>	<u>1,759</u>	<u>2,080</u>
Management service fees	130	122	252
	<u>2,426</u>	<u>1,881</u>	<u>2,332</u>
Administrative expenses			
Investment operations	(190)	(175)	(345)
Management services	(168)	(112)	(304)
Total administrative expenses	<u>(358)</u>	<u>(287)</u>	<u>(649)</u>
Operating profit	2,068	1,594	1,683
Unrealised changes in the carrying value of General Portfolio investments	219	39	39
Reversal of previously recognised unrealised changes in the carrying value of investments on sale of General Portfolio investments	(116)	(31)	(56)
	<u>2,171</u>	<u>1,602</u>	<u>1,666</u>
Interest payable	-	(16)	(16)
Profit on ordinary activities before taxation	2,171	1,586	1,650
Tax on result of ordinary activities	(350)	(246)	(95)
Profit on ordinary activities after taxation	1,821	1,340	1,745
Non-controlling interest	(6)	(25)	(15)
Profit attributable to shareholders	1,815	<u>1,315</u>	<u>1,730</u>
Other comprehensive income/(expense) – <i>Items that may subsequently be reclassified to profit or loss</i>			
Unrealised changes in the carrying value of Strategic Investments	935	3,310	4,260
Reversal of previously recognised unrealised changes in the carrying value of investments on sale of Strategic Investments	(1,645)	(1,600)	(1,600)
Deferred taxation on above items	142	(342)	(532)
Total other comprehensive income	(568)	<u>1,368</u>	<u>2,128</u>
Total comprehensive income attributable to shareholders	1,247	<u>2,683</u>	<u>3,858</u>
Basic, Diluted and Headline earnings per share	5.8p	4.2p	5.5p
Interim dividend	0.55p	0.50p	0.50p
Final dividend			0.55p
Total in respect of the year			<u>1.05p</u>

Unaudited Condensed Consolidated Statement of Changes in Shareholders' Equity

	Half year ended 31 st December		Year ended 30 th June
	2016 £000	2015 £000	2016 £000
Total comprehensive income attributable to shareholders	1,247	2,683	3,858
Dividends paid to equity shareholders	(171)	(162)	(312)
	<u>1,076</u>	<u>2,521</u>	<u>3,546</u>
Equity shareholders' funds at start of period	19,168	15,622	15,622
Equity shareholders' funds at end of period	<u>20,244</u>	<u>18,143</u>	<u>19,168</u>

Unaudited Condensed Consolidated Statement of Financial Position

	31 st December		30 th June
	2016 £000	2015 £000	2016 £000
Non-current assets			
Tangible assets	18	26	22
Principal investments:-			
Finsbury Food Group Plc	7,320	9,040	8,880
Western Selection P.L.C.	3,694	3,537	3,537
	<u>11,032</u>	<u>12,603</u>	<u>12,439</u>
Current assets			
Listed investments	8,836	6,040	7,125
Trade and other receivables	178	232	272
Cash, bank balances and deposits	1,588	649	588
	<u>10,602</u>	<u>6,921</u>	<u>7,985</u>
Total Assets	<u>21,634</u>	<u>19,524</u>	<u>20,424</u>
Capital and Reserves			
Called up share capital	1,560	1,560	1,560
Share premium account	2,320	2,320	2,320
Unrealised profits and losses on investments	7,967	7,439	8,539
Share of undistributed profits and losses of subsidiaries and associates	3,647	767	1,821
Company's retained realised profits and losses	4,750	6,057	4,928
	<u>20,244</u>	<u>18,143</u>	<u>19,168</u>
Equity shareholders funds	<u>20,244</u>	<u>18,143</u>	<u>19,168</u>
Trade and other payables falling due within one year	479	256	316
Deferred taxation	815	1,025	850
Non-controlling equity interest	96	100	90
	<u>21,634</u>	<u>19,524</u>	<u>20,424</u>
Net assets per share	64.9p	58.1p	61.4p
Number of shares in issue	31,207,479	31,207,479	31,207,479

Unaudited Condensed Consolidated Statement of Cash Flow

	Half year ended 31 st December		Year ended 30 th June
	2016 £000	Restated 2015 £000	Restated 2016 £000
Profit before taxation	2,171	1,586	1,650
Adjustments for non-cash and non-operating expenses:-			
Depreciation charges	4	3	9
Profit on disposal of non-current investment	(1,862)	(1,409)	(1,408)
Unrealised changes in the carrying value of General Portfolio investments	(219)	(39)	(39)
Reversal of previously recognised unrealised changes in the carrying value of investments on sale of General Portfolio investments	116	31	55
Net interest paid	-	16	16
	(1,961)	(1,398)	(1,367)
Taxation paid	(7)	(5)	(29)
Changes in working capital:-			
Decrease/(Increase) in debtors	97	(15)	(54)
(Decrease)/Increase in creditors	(74)	39	97
(Increase)/Decrease in current asset investments	(1,492)	20	20
	(1,469)	44	63
Cash (outflow)/inflow on operating activities	(1,266)	227	317
Investment activities			
Disposal of non-current investment	2,438	1,985	1,984
Net cash inflow from investment activities	2,438	1,985	1,984
Cash flows from financing			
Net interest paid	-	(16)	(16)
Drawdown of loan facilities	-	(1,500)	(1,500)
Equity dividends paid	(172)	(162)	(312)
Net cash outflow from financing	(172)	(1,678)	(1,828)
Increase in cash and cash equivalents	1,000	534	473
Cash and cash equivalents at start of period	588	115	115
Cash and cash equivalents at end of period	1,588	649	588
Reconciliation of net cash flow to movement in net debt			
	At start of period £000	Cash Flow £000	At end of Period £000
Half year ended 31st December 2016			
Cash at bank	588	1,000	1,588
2015			
Cash at bank	115	534	649
Bank loan	(1,500)	1,500	-
	(1,385)	2,034	649
Year ended 30th June 2016			
Cash at bank	115	473	588
Bank loan	(1,500)	1,500	-
	(1,385)	1,973	588

Notes:-

1. **Basis of preparation:**

The results for the half-year are unaudited. The information contained in this report does not constitute statutory accounts within the meaning of the Companies Act 2006. The statutory accounts of the Group for the year ended 30th June 2016 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was unqualified.

The Company has early adopted IFRS 9 in this period, and the comparative amounts in the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income have been restated on a comparable basis. Under IFRS 9, the Company has elected to classify its long term Strategic Investments as financial instruments which are held at fair value with unrealised changes in value taken directly to Other Comprehensive Income. General Portfolio investments are held at fair value with unrealised changes in fair value recognised in Profit or Loss. Strategic and General Portfolio investments are quoted investments, and their fair value continues to be calculated using quoted prices.

This change in accounting policy has no effect on the Unaudited Condensed Consolidated Statement of Financial Position, and moves into Other Comprehensive Income certain amounts that were previously recognised as Profit or Loss. Prior to this change there were no amounts recognised in Other Comprehensive Income. This re-categorisation has changed Profit on ordinary activities after tax from £2,708,000 at 31st December 2015 and £3,873,000 at 30th June 2016. Basic and Headline Earnings per Share have also been restated from 8.6p and 5.0p for the half year ended 31st December 2015, and 12.4p and 5.2p for the year ended 30th June 2016.

Other than mentioned above this report has been prepared in accordance with the accounting policies contained in the Company's Annual Report and Accounts 2016. It has been prepared in accordance with International Financial Reporting Standards, and complies with IAS34.

2. **Earnings per share:**

Earnings per share are based on the profit on ordinary activities after taxation and non-controlling interests of £1,815,000 (2015: £1,315,000) and on 31,207,479 (2015 – 31,207,479) shares being the weighted average of number of shares in issue during the year.

There are options outstanding over 80,000 shares. The dilution effect of these options is negligible.

Reconciliation of headline earnings

Headline earnings are required to be disclosed by the JSE.

Headline earnings per share are based on the profit on ordinary activities after taxation and non-controlling interests, of £1,815,000 (2015: £1,315,000) and on 31,207,479 (2015 – 31,207,479) shares being the weighted average of number of shares in issue during the year.

3. **Going Concern:**

After making enquiries, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

4. **Principal risks and uncertainties:**

The principal risks and uncertainties which could impact the Group's long-term performance are disclosed on pages 8-9 of the Group's 2016 Annual Report and Accounts. The key risks and mitigating activities have not changed from these:

- Stock market vulnerability and economic uncertainty;
- Possible volatility of share prices of investments;
- Dividend income;
- Ability to make strategic investments; and
- Liquidity of equity investments in strategic investments.

Composition of General Portfolio

	Value	%
	£000	
British American Tobacco	453	5.2
Investor	417	4.8
Schindler-Holdings	407	4.6
Henkel	405	4.6
Philip Morris International	377	4.3
Chevron	371	4.2
Exxon	365	4.1
Diageo	357	4.0
Becton Dickenson	356	4.0
Nestle	351	4.0
Reckitt Benckiser	337	3.8
Unilever	332	3.8
Heineken	329	3.7
Anheuser Busch Inbev	322	3.6
BASF	318	3.6
3M	318	3.6
Imperial Tobacco	315	3.6
L'Oreal	312	3.5
Pernod-Ricard	305	3.4
Procter & Gamble	272	3.1
United Technologies	266	3.0
Danone	258	2.9
Linde	257	2.9
LVMH	248	2.8
ABB	226	2.6
Brown Forman B	190	2.1
Givaudan	186	2.1
Kimberley Clark Corp	185	2.1
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