

**LONDON FINANCE &
INVESTMENT GROUP P.L.C.**

REPORT & ACCOUNTS

30TH JUNE

2013

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 FTSE Eurofirst 300 indices. Additionally, Lonfin holds investments in United Kingdom listed companies where it has Directors in common. Lonfin is also a 43.8% shareholder in its associate Western Selection P.L.C. (“Western”), a strategic investment company. Western’s share capital is admitted to trading on PLUS Stock Exchange.

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

CITY GROUP P.L.C.
(“City Group”)

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.

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Directors

D.C. MARSHALL, Chairman, age 69 ♦

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

F.W.A. LUCAS, BSc, PhD, Independent Non-executive, age 46 * †

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 Stock Exchange.

L.H. MARSHALL, Non-executive, age 42 ♦

Mr. Marshall joined the board in 2012. He is the finance director of Marshall Monteagle PLC and has extensive investment management experience. He is a non-executive director of Hartim Limited, Halogen Holdings P.L.C. and Heartstone Inns Limited.

J.H. MAXWELL, CA, CCMI, FRSA, Senior Independent Non-executive, age 68 * †

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 **RSA Insurance Group PLC**, First Assist Insurance Services Limited and The Royal Automobile Club Motor Sports Association Limited.

J.M. ROBOTHAM, OBE, FCA, Non-executive, age 80 †

Mr. Robotham joined the board in 1984. He is a non-executive director of Western Selection P.L.C. and is a Chartered Accountant.

* Member of the audit committee

† Member of nomination committee

♦ Member of the investment committee

United Kingdom

**Secretaries and
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Summary of Investments

At 30 th June	2013 £000	2012 £000
Investment in associate at market value:		
Western Selection P.L.C.	3,930	3,144
Strategic Investments at market value:		
Finsbury Food Group plc	5,850	1,880
MWB Group Holdings Plc	-	70
	<u>9,780</u>	<u>5,094</u>
General Equity Portfolio at market value	5,601	4,533
Tangible non-current assets *	3	4
Cash, bank balances and deposits	116	2,217
Bank loans	(650)	(1,950)
Other net (liabilities)/assets	(27)	55
Non-controlling interests	(81)	(98)
Net assets, including investments at market value	<u>14,742</u>	<u>9,855</u>
Net assets per share	47.2p	31.6p
Dividends		
Interim	0.35p	0.35p
Proposed final	[]	0.35p
Profit per share (excluding unrealised changes in the market value of investments):	0.4p	6.4p

Financial Calendar

Interim dividend	Paid on 1 st April 2013
Annual General Meeting	[] 2013
Final dividend for 2013	Payable on [] 2013 to holders on [] 2013.
Half-year results	Announced in February

Analysis of Shareholders

	Number	%	Total	%
1- 500				
501- 1,000				
1,001- 5,000				
5,001- 10,000				
10,001 50,000				
50,001- 100,000				
100,001- 250,000				
250,001- 500,000				
500,001- 1,000,000				
Over 1,000,000				
	<u> </u>	<u>100.0</u>	<u>31,207,479</u>	<u>100.0</u>

The current price of the Company's shares can be found on the website of the London Stock Exchange and in the business section of the major South African newspapers.

Directors' Report

Business Review

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

In the short term, the performance of the Company can be influenced by overall stock market performance and to diversify this short term risk the Company has a combination of Strategic Investments and a General Portfolio. Strategic Investments are significant investments in smaller U.K. quoted companies and these are balanced by a General Portfolio, which consists of investments in major U.S.A., U.K. and other European companies which provides an exposure to the equity market.

At 30th June 2013, the two Strategic Investments, in which we have Directors in common, were our associated company Western Selection P.L.C. and Finsbury Food Group Plc. Detailed comments on our Strategic Investments are given below.

- * Net assets have increased over the year by 49.4% from 31.6p per share to 47.2p per share
- * The General Portfolio has increased over the year by 25.7% compared to increases of 11.6% and 12.8% in FTSE100 and FTSE Eurofirst 300 respectively.
- * The General Portfolio is yielding 3.0% (2012 – 3.0%).
- * Net borrowings of £530,000 compared with £267,000 of net cash at 30 June 2012
- * Decrease of 4% in operating costs

Results

Our net assets per share have increased 51.6% to 47.3p from 31.6p last year. The increase reflects the appreciation in the value of our Strategic Investments by 91% particularly Finsbury Food Group. The General Portfolio decreased by 25.7%, outperforming increases of 11.6% and 12.8% in the FTSE 100 index and the FTSE Eurofirst 300 index, over the year.

The Group achieved a profit for the year, before tax and the fair value adjustments of investments, of £169,000 (2012, including profit on sale of freehold property of £2,137,000 - £2,074,000). The profit after fair value adjustments, tax and non-controlling interest was £5,119,000 (2012 - £869,000) giving a profit per share of 16.4p (2012 – 2.8p).

Strategic Investments

Western Selection P.L.C. (“Western”)

The Group owns 7,864,412 shares, being 43.8%, of the issued share capital of Western.

On [] 2013, Western announced a profit before associates and tax of £[] for its year to 30th June 2013 (2012 – £164,000). Including associates and after exceptional items and tax, losses per share were. []p (2012 - profits – 1.0p).

Western has paid an interim dividend of 0.85p and proposes an increased final dividend of 0.9p (2012 - 0.80p). Western's net assets at market value were £12,895,000, equivalent to []p per share, a decrease of []% from 72p last year.

Our share of the net assets of Western including the value of Western's investments at market value, was £[] million] (2012 - £5.6 million). The fair value recorded in the statement of financial position is the market value of £3,930,000 (2012 - £3,144,000). This represents 26% (2012 – 32%) of the net assets of the Group.

Mr. D. C. Marshall is the Chairman of Western and Mr. Robotham and Mr. Beale, the chief executive of our subsidiary company (City Group P.L.C.), are non-executive Directors. Western has Strategic Investments in Creston plc, Northbridge Industrial Services plc, Swallowfield plc and Hartim Limited. An extract from Western's announcement relating to 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. Further information about Creston is available on their website: www.creston.com.

The audited results for the year to 31st March 2013, show a profit after tax of [£] (2012 - £10,300,000), equivalent to fully diluted earnings of [p] per share (2012 - 12.34p).

Western maintained its holding of 3,000,000 shares in Creston, which is 4.9% of their issued share capital. The value of this investment at 30th June 2013 was [£] (2012 - £1,650,000) being [%] (2012 - 13%) of Western's assets.

Northbridge Industrial Services PLC

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, Singapore, India, Brazil, Korea and Azerbaijan, 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 their website: www.northbridgegroup.co.uk.

Northbridge announced profits of [£] for the year ended 31st December 2012 (2011 - £2,321,000) and declared a final dividend of 3.25p per share, making [p] for the year (2010 - 5.0p).

Western maintained its holding of 2,200,000 shares in Northbridge, which is 14.3% of their issued share capital. The value of this investment at 30th June 2013 was [£] (2012 - £5,984,000) being [%] (2012 - 46%) of Western's assets.

Swallowfield plc

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

Swallowfield announced its results to June 2013 showing a profit after tax of [£] compared to £1,263,000 for the comparable period last year. Dividends of [£] (2012 - £118,000) were received from Swallowfield during the year.

At the reporting date Western owned 1,869,149 shares which is 16.5% of their issued share capital. The market value of this investment on 30th June 2013 was [£] (2012 - £2,187,000), being [%] (2012 - 17%) of Western's net assets.

Investments in Associates

Hartim Limited

Hartim is the unquoted holding company for Tudor Rose International Limited ("TRI") which was founded in 1984. It 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 sells into 78 countries worldwide including USA, Spain, Portugal, Italy, Czech Republic, Russia, Turkey, South Africa, Saudi Arabia, UAE, Malaysia, Australia and China. Hartim has acquired out of administration its principal distributor in Australia; to maintain and improve the service that it can offer to principals. Losses are being incurred by this business while it is being turned around. Hartim has also incurred an exceptional loss in a legal dispute about the exercise of the break clause in a property lease.

Western holds 49.5% of Hartim, which has a 31st December year end and sustained losses in 2012 of £220,000 after tax on turnover of £27,799,000. Western's share of the consolidated loss after exceptional items and tax for the twelve months to 30th June 2013 was [£] (2012 – profit - £342,000) and the book value of the investment at 30th June 2013 was [£] (2012 - £1,124,000), being [%] (2012 - 9%) of Western's assets.

MWB Group Holdings Plc (“MWB”)

MWB was placed into administration on 16 November 2012. We made an impairment provision in the subsidiary holding this investment of £1,611,000 in 2012 and have written off the balance of the carrying value of £70,000 this year.

Finsbury Food Group Plc (“Finsbury”)

Finsbury is one of the largest producers and suppliers of premium cakes, bread and morning goods in the UK. The Group currently supplies most of the UK's major supermarket chains, including Asda, Co-op, Morrisons, Sainsbury, Somerfield, Tesco and Waitrose. Further information about Finsbury is available on its website: www.finsburyfoods.co.uk.

The Group increased its holding in Finsbury by 1 million shares at a cost of £390,000 and held 9 million shares, representing 13.95% of their share capital. The market value of the holding was £5,850,000 on 30th June 2013 (cost - £2,283,000) and represents 39% (2012 – 19%) of the net assets of the Group.

Mr. D.C. Marshall and Mr. Beale, the Chief Executive of our subsidiary company City Group P.L.C., are non-executive Directors of Finsbury.

General Portfolio

The investments comprising the General Portfolio at 30th June 2013 are listed on page 11. The spread of the General Portfolio was increased by the addition of North American holdings. The portfolio is well spread with material interests in Food and Beverages, Oil, Natural Resources, Chemicals, and Tobacco. We believe that the portfolio of quality companies we hold has the potential to outperform the market in the medium to long term.

The number of holdings in the General Portfolio has reduced to 29 from 30. We have increased the amount invested in the General Portfolio over the year by £626,000 (2012: increased by £171,000).

We have renegotiated our bank facility, and now have a facility of £1.5 million expiring in 2017.

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 office accommodation, company secretarial and head office finance services to a number of other U.K. and Jersey clients. City Group has responsibility for the initial identification and appraisal of potential new strategic investments for the Group and the day to day monitoring of existing strategic investments.

Dividend

The Board recommend a final dividend is [0.35]p, making [] p] per share for the year (2012 - 0.7p). Subject to member's approval, the dividend will be paid on [] 2013 to those members on the register at the close of business on [] 2013. Shareholders on the South African register will receive their dividend in South African rand converted from sterling at the closing rate of exchange on [] 2013.

Outlook

We remain concerned that the high national debts of developed countries can only be reduced significantly through prolonged austerity and/or substantial inflation. We remain invested in large diversified international non-financial companies, which we think are well placed to outperform the market. We hope that volatility in the financial markets will provide long term investors, such as ourselves, with buying opportunities.

Financial Instruments & Risks

The financial instruments of the Group, in addition to its investments, comprise borrowings to finance those investments and cash. As an investment company our principal market risks arise from the Group's financial instruments, and are:

Stock market volatility and economic uncertainty

The Company's investment performance will be affected by general economic and market conditions. Although the Company cannot predict the level of growth in the global economy, as with most businesses, it believes a period of weak market growth will have an adverse effect on its investments. Volatility relating to the Company's investments, including movements in interest rates and returns from equity and other investments will impact upon the value of the Group's investment portfolio.

Possible volatility of share prices of investments

A number of factors outside the control of the Company may impact the share price performance of its investments. Such factors could include investor sentiment, local and international stock market conditions, divergence of results from analysts' expectations, changes in earnings estimates by analysts and changes in political and economic sentiment.

Dividends

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

Ability to make strategic investments

There are limited opportunities for the Company to make strategic investments and therefore there is no guarantee that the Company will be able to do so at a price the Directors believes will represent fair value.

Liquidity of equity investments in strategic investments

Strategic investments may be made in the equity of "small cap" companies, both listed and unlisted. There is a risk that due to the low level of liquidity in the equity of these strategic investments the Company may not be able to realise its investment, either at all, or at a price the Company believes reflects fair value.

The depth and overlap of experience of Directors means that there is no key-man dependency. Note 20 sets out the policies of the Board, which have remained substantially unchanged for the year under review, for managing risks associated with its financial instruments. In addition the Group is exposed to investment risk arising from the selection of investments which it mitigates by drawing on the investment experience of its Directors.

Key Performance Indicators

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

	2013	2012	2010	2009
Net assets per share	47.3p	31.6p	35.0p	27.1p
Dividends (net) per share	[]	0.7p	0.6p	0.6p

Definition of KPIs used above

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

Dividends per share - Dividends declared for the year.

Directors

A list of the Directors of the Company is shown on page 2. The interests in the Company's shares of the Directors who have held office in the period from 1 July 2012 were as follows:

	30 th June 2013	30 th June 2012
	Shares	Shares
D.C. Marshall - Beneficial	[]	2,301,000
- Non-beneficial *	[]	10,589,693
F.W.A. Lucas †	162,500	142,500
J.M. Robotham - Beneficial	30,000	30,000
- Non-beneficial *	11,377,474	11,187,474
J.H. Maxwell	65,000	65,000
L. H. Marshall (Appointed 3 rd August 2012)	-	-

* 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 overlaps with the non-beneficial interest of Mr. D.C. Marshall.

† Of this figure Dr. Lucas owns 80,000 shares personally and 82,500 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 2013 and the date of this report. [CHECK]

The appointment or removal of Directors is determined by shareholders at a General Meeting. Between General Meetings the Board may appoint additional Directors who are required to stand for election at the next General Meeting. In addition the Company's Articles of Association require one third of Directors to stand for re-election every year, accordingly Mr. D.C. Marshall retires by rotation and, being eligible, offers himself for re-election at the Annual General Meeting.

Substantial Interests

In addition to the Directors' shareholdings shown above, the Company has been notified under Section 808 of the Companies Act 2006 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	2,175,344	7.0
IFG Trust Company (Jersey) Limited *	1,200,000	3.8

* The trustees have discretion over how to vote these shares.

Corporation Taxes Act 2012

The company is not a close company as defined in 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.

The 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 are unaware.

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. The Company does not have a significant level of trade creditors.

Financing Structure

The Group is financed by a mixture of debt and equity. The Board believes that a reasonable level of gearing can enhance returns to shareholders. At 30th June 2013 the Group had bank facilities of £2 million which expire in April 2013. These have since been renegotiated and the Group now has bank facilities of £1.5 million which expire in 2017.

At 30th June 2013 the Company had only one class of share, namely Ordinary Shares of 5p each, of which there were 31,207,479 in issue. The rights and obligations attached to these shares are set out in the Company's Articles which may only be amended by a vote of shareholders at a General Meeting. Each share entitles the holder to one vote on each shareholder resolution. There are no special arrangements or restrictions relating to any of these shares, whether in terms of transfers, voting or other rights, or relating to changes in control of the company.

To provide Directors with flexibility over the management of the Company's capital, shareholders are being asked to approve resolutions at the AGM which would permit the Company to issue new shares as explained below. Similar resolutions were approved at the last AGM.

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 5 of the Notice of Meeting, the Directors propose certain special business as set out in Resolutions 6 and 7 for the purposes summarised below:

Resolution 6 - Authority to allot shares - Ordinary resolution

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. If passed, this resolution will grant the Directors power to allot authorised but unissued capital for a maximum period of 15 months.

Resolution 7 - Pre-emption rights - Special resolution

Section 570 of the Companies Act 2006 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 563 of the Act to disapply these provisions. The Directors consider it desirable for shareholders to approve a limited 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.

By Order of the Board

CITY GROUP P.L.C.
Secretaries

[] 2013

Composition of General Portfolio
at 30th June 2013

	£000	%
Henkel	315	5.7
L'Oreal	304	5.5
Nestle	295	5.3
British American Tobacco	293	5.2
Diageo	278	5.0
Schindler-Holdings	256	4.6
Pernod-Ricard	252	4.5
Investor	245	4.4
Heineken	243	4.3
Novartis	243	4.3
Royal Dutch Shell 'B'	238	4.2
Unilever	234	4.2
Reckitt Benckiser	228	4.1
BASF	205	3.7
Imperial Tobacco	203	3.6
Danone	198	3.5
ABB	189	3.4
Holcim	170	3.0
Linde	147	2.6
BHP Billiton	118	2.1
Procter & Gamble	114	2.0
Exxon	109	1.9
Philip Morris International	108	1.9
Chevron	108	1.9
Givaudan	106	1.9
Siemens	104	1.9
Anheuser Busch Inbev	101	1.8
LVMH	100	1.8
Glencore International	97	1.7
	<u>5,601</u>	<u>100.0</u>

Analysis by currency	£000	%
Euro	1,970	35.1
Sterling	1,688	30.1
Swiss franc	1,260	22.6
US dollar	438	7.8
Swedish kroner	245	4.4
	<u>5,601</u>	<u>100.0</u>

Investment Policy

The Company's investment policy is to invest in a range of "strategic" investments, a "general portfolio" consisting primarily of highly liquid stock market investments, both in equity instruments and bonds, and, at the Board's discretion, 'other investments', typically property and other physical assets. This investment policy is designed to achieve the Company's objectives of capital growth in real terms over the medium term, while maintaining a progressive dividend policy.

Both "strategic" and "general portfolio" investments can be in any industry sector. "Strategic" investments are significant minority positions in UK small cap companies which can be either quoted or unquoted; to diversify risk the policy is to maintain a number of such investments. Most such investments will be in shares of companies that are publicly traded but investments can also be made in publicly traded and untraded debt or equity instruments of companies that are strategic investments. The "general portfolio" aims to further diversify risk through a spread of investments and a target of between 20 and 30 holdings in some of the largest [European] quoted companies.

The intention is for between 30 per cent. and 70 per cent. of the overall investment portfolio with a maximum limit of 80 per cent. to be in "strategic" investments at the point of investment, with the balance of the portfolio, net of "other investments", to be in the "general portfolio". "Other investments" will be limited to 20 per cent. of the overall value of the investment portfolio, measured at the point of investment. No one "strategic investment" or "other investment" will represent more than 30 per cent. and 20 per cent. respectively of the value of all investments at the time of making such investment and no one "general portfolio" investment will represent more than 10 per cent. of the value of the "general portfolio" at the time of such investment.

Within these parameters, changes in strategic and other investments are decided on by the Board and changes to the general portfolio are decided on by the Board or, between Board meetings, by an Investment Committee of the Board. The investment guidelines within which the Investment Committee operates allow the Investment Committee discretion within the parameters set by the Investment Policy. The investment mix and level of borrowings are reviewed at each board meeting.

The Company's gearing is limited at or below 70 per cent. of the total value of investments.

Consolidated Statement of Total Comprehensive Income

For the year ended 30 th June	Notes	2013 £000	2012 £000
Dividends - Listed investments		313	265
Interest receivable		4	4
Rental and other income		54	70
(Losses)/Profits realised on sales of investments		215	(32)
Management services fees		228	295
Operating income		814	602
Administration expenses	3	(610)	(638)
Operating profit/(loss)	2	204	(36)
Unrealised changes in the carrying value of investments	11	4,989	(1,134)
Exceptional profit on disposal of property		-	2,137
Interest payable		(33)	(27)
Profit on ordinary activities before taxation		5,160	940
Tax on result of ordinary activities	6	(56)	(65)
Profit on ordinary activities after taxation		5,104	875
Non-controlling interest		17	(6)
Profit for the financial year attributable to members of the holding company	7	5,121	869
Other comprehensive income		-	-
Total comprehensive income attributable to shareholders		5,121	869
Reconciliation of headline earnings			
Basic profit per share	8	16.4p	2.8p
Adjustment for the unrealised changes in the carrying value of investments, net of tax		(16.0)p	3.6p
Headline profit per share	8	0.4p	6.4p

All profits and losses are on continuing activities.

The notes on pages ● to ● form part of these accounts.

Consolidated Statement of Changes in Shareholders' Equity

	Ordinary Share Capital £000	Share premium account £000	Revaluation Reserve £000	Unrealised profits/(losses) on investments £000	Share of undistributed results of Subsidiaries £000	Retained realised profits & losses £000	Total £000	Non- Controlling interests £000	Total equity £000
Year ended 30th June 2012									
Balances at 1st July 2012	1,560	2,320	330	(1,750)	904	5,825	9,189	92	9,281
Total comprehensive income	-	-	-	2,086	(1,476)	259	869	6	875
Transfer on disposal	-	-	(330)	-	-	330	-	-	-
Dividends paid	-	-	-	-	-	(203)	(203)	-	(203)
Total transactions with shareholders	-	-	-	-	-	(203)	(203)	-	(203)
Balances at 30th June 2013	1,560	2,320	-	336	(572)	6,211	9,855	98	9,953

Year ended 30th June 2013

Balances at 1st July 2012	1,560	2,320	-	336	(572)	6,211	9,855	98	9,953
Total comprehensive income	-	-	-	4,989	143	(11)	5,121	(17)	5,104
Dividends paid	-	-	-	-	-	(234)	(234)	-	(234)
Total transactions with shareholders	-	-	-	-	-	(234)	(234)	-	(234)
Balances at 30th June 2013	1,560	2,320	-	5,325	(429)	5,966	14,742	81	14,823

The notes on pages ● to ● form part of these accounts.

Consolidated Statement of Financial Position

At 30 th June	Notes	2013 £000	2012 £000
Non-current Assets			
Tangible assets	9	3	4
Investments	11(a)	<u>9,780</u>	<u>5,094</u>
		<u>9,783</u>	<u>5,098</u>
Current Assets			
Listed investments	11(b)	5,601	4,533
Trade and other receivables	12	256	272
Cash at bank		<u>116</u>	<u>2,217</u>
		<u>5,973</u>	<u>7,022</u>
Current Liabilities			
Trade and other payables: falling due within one year	13	<u>(853)</u>	<u>(2,167)</u>
Net Current Assets		5,120	4,855
Deferred taxation		(80)	-
Total Assets less Current Liabilities		<u>14,823</u>	<u>9,953</u>
Capital and Reserves			
Called up share capital	15	1,560	1,560
Share premium account		2,320	2,320
Unrealised profits and losses on investments		5,395	336
Share of retained realised profits and losses of subsidiaries		(499)	(572)
Company's retained realised profits and losses		<u>5,966</u>	<u>6,211</u>
		<u>14,742</u>	<u>9,855</u>
Non-controlling equity interests		<u>81</u>	<u>98</u>
		<u>14,823</u>	<u>9,953</u>

Approved and authorised by the Board on [] 2013.

D.C. Marshall *Director*

The notes on pages ● to ● form part of these accounts.

Company Statement of Financial Position

at 30th June

	Notes	2013 £000	2012 £000
Non-current Assets			
Investments in Group companies	10	<u>6,147</u>	<u>5,987</u>
		6,147	5,987
Current Assets			
Listed investments	11(b)	5,601	4,533
Trade and other receivables	12	35	18
Bank balance		<u>76</u>	<u>2,202</u>
		5,712	6,753
Current Liabilities			
Trade and other payables: falling due within one year	13	<u>(757)</u>	<u>(2,096)</u>
Net Current Assets			
		<u>4,955</u>	<u>4,657</u>
Deferred taxation			
		(80)	-
Total Assets less Current Liabilities			
		<u>11,022</u>	<u>10,644</u>
Capital and Reserves			
Called up share capital	15/16	1,560	1,560
Share premium account	16	2,320	2,320
Unrealised profits and losses on investments	16	1,176	553
Realised profits and losses	16	<u>5,966</u>	<u>6,211</u>
Equity shareholders' funds		<u>11,022</u>	<u>10,644</u>

Approved and authorised by the Board on [] 2013.

D.C. Marshall *Director*

Registered in England and Wales – Number 201251

The notes on pages ● to ● form part of these accounts.

Consolidated Statement of Cash Flow

For the year ended 30 th June	Notes	2013 £000	2012 £000
Cash flows from operating activities			
Profit before tax		5,160	940
Adjustments for non-cash and non-operating activities -			
Finance expense		33	27
Profit on disposal of property		-	(2,137)
Depreciation charges		1	5
Unrealised changes in the fair value of investments		(4,989)	1,134
		<u>205</u>	<u>(971)</u>
Taxes paid	6	<u>(22)</u>	<u>(17)</u>
Changes in working capital			
Increase in trade and other receivables		(16)	(12)
Increase in trade and other payables		64	158
Increase in current asset investments		(375)	(301)
		<u>(327)</u>	<u>(155)</u>
Net cash outflow from operating activities		<u>(144)</u>	<u>(63)</u>
Cash flows from disposal of property		<u>-</u>	<u>2,495</u>
Cash flows from investment activity			
Purchase of strategic investments	18	<u>(390)</u>	-
Net cash outflow from investment activity		<u>(390)</u>	<u>-</u>
Cash flows from financing			
Interest paid		(33)	(27)
Equity dividends paid		(234)	(203)
Net repayment of loan facilities	18	<u>(1,300)</u>	<u>134</u>
Net cash outflow from financing		<u>(1,567)</u>	<u>(96)</u>
(Decrease)/Increase in cash and cash equivalents	18	<u>(2,101)</u>	<u>2,196</u>
Cash and cash equivalents at the beginning of the year		<u>2,217</u>	<u>21</u>
Cash and cash equivalents at end of the year		<u>116</u>	<u>2,217</u>

The notes on pages ● to ● form part of these accounts.

Notes to the Accounts

For the year ended 30th June 2013

1. Accounting Policies

- (i) The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Acts 2006 applicable to companies reporting under IFRS. The accounts are prepared on the historical cost 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 International Accounting Standards Board (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 2013. The Company has not opted for early adoption for those which have been endorsed by the EU. 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 2013. Results of subsidiaries are included from their effective date of acquisition to their effective dates of disposal. The non-controlling interests are wholly attributable to equity interests in subsidiaries. Under Section 396 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement.
- (iii) Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.
- (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 during the year were

Equipment	25% straight line
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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:
- Fair value through income: Non-derivative financial assets other than unquoted investments and trade and other receivables are classified as associates, strategic and general portfolio investments and are recognised as being fair value through income. They are valued using quoted prices and movements in value are taken to the income statement.
 - Unquoted investments. These are stated at cost net of impairment provisions because market value cannot be readily determined. Reviews for indications of impairment are carried out at least annually.
 - Trade and other receivables. The carrying amounts approximate to their fair values, the transactions giving rise to these balances arising in the normal course of trade and standard industry terms.
- (viii) Cash and cash equivalents comprise cash balances and deposits.
- (ix) 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. It excludes items of income (primarily franked dividend income) and expense that are never taxable or deductible and items which are taxable or deductible in other years.

Deferred taxation is provided on the full liability method, at tax rates that are expected to apply, for temporary differences arising between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Taxation charges or recoveries are recognised in the income statement, or directly to equity when related to items recognised directly to equity.

- (x) The Group makes pension contributions to the personal pension plans of certain employees which are defined contribution (money purchase) schemes. A defined contribution plan is a post-employment benefit plan under which an entity pays contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the periods during which services are rendered by employees.
- (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.

2. Operating profit - Segmental Analysis

	Investment Operations		Management Services	
	2013	2012	2013	2012
	£000	£000	£000	£000
Dividends - Listed investments	313	265	-	-
Interest receivable	4	3	-	1
Rental and other income	-	16	54	54
(Losses)/Profits on sales of investments, including provisions	215	(32)	-	-
Management services fees	-	-	228	295
Operating income	532	252	282	350
Administration expenses – normal	(295)	(301)	(315)	(337)
Operating profit/(loss)	237	(49)	(33)	13

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

Notes to the Accounts (continued)

For the year ended 30th June 2013

3. Administration Expenses

	Group	
	2013	2012
	£000	£000
Normal administration expenses include:		
Depreciation	1	5
Auditors' remuneration - audit services	22	22
- non-audit services	3	3
Directors' emoluments – Note 4	48	46
Staff costs - Note 5	<u>377</u>	<u>390</u>

4. Directors' Emoluments and Related Party Disclosures

The key management personnel are considered to be the Group Directors. Their emoluments are detailed in the Remuneration Report on pages 34 to 36.

Related Party Disclosures

London Finance & Investment Group P.L.C. and its wholly owned subsidiary ("Lonfin"), owns 43.8% of its associate Western Selection P.L.C. ("Western") of which Mr. D.C. Marshall, Mr. Robotham and Mr. Beale, the chief executive of our subsidiary company (City Group P.L.C.), are Directors. Mr. D.C. Marshall and Mr. Robotham's shareholdings in Lonfin are set out in the accompanying director's report.

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

Mr. D. C. Marshall and Mr. L. H. Marshall are Directors and Mr. Beale is the non-executive chairman of Marshall Monteagle PLC, and Mr D. C. Marshall is a shareholder in Marshall Monteagle, which in turn is a substantial shareholder in Halogen Holdings P.L.C. Mr. D. C. Marshall is chairman of Halogen Holdings P.L.C. and Mr L. H. Marshall and Mr. Beale are Directors of Halogen Holdings plc.

Lonfin and Western own City Group P.L.C. in the ratio 51.4% and 48.6% respectively. City Group P.L.C. provides offices and secretarial and administrative services to various companies in the United Kingdom and abroad most of which are associated with Lonfin and Western including all of the above companies.

City Group operates as a shared service centre and does not seek to make a profit from the provision of its standard services to these related parties. The various secretarial, accounting, and Directors fees received by City Group P.L.C. from those companies, their associates and subsidiaries, total £220,000 (2012 - £279,000) for the year under review. At the statement of financial position date the aggregate balance due in respect of fees invoiced was £66,000 (2012 - £148,000) and no fees had been paid in advance (2012 - nil paid in advance). Settlement is within normal credit terms.

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 34 to 36:

	2013	2012
	£000	£000
Salaries	303	309
Social security costs	42	38
Pension contributions	32	43
	<u>377</u>	<u>390</u>
The average weekly number of staff employed, including Directors, was:	<u>11</u>	<u>11</u>

6. Taxation

The tax charge for the year comprises:

Tax on ordinary activities	-	48
Overprovision in prior year	(46)	-
Tax on overseas investment income	22	17
Deferred tax	80	-
	<u>56</u>	<u>65</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>5,160</u>	<u>940</u>
Taxation at 24.5% (2012 – 25.5%)	1,264	240
Effects of:		
Non taxable items – fair values and franked income	(1,226)	260
Loss (utilised)/carried forward	18	(434)
Permanent differences	-	(1)
Tax charge for the year	<u>56</u>	<u>65</u>

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

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

Dealt with in the accounts of: The holding company	612	259
The subsidiary undertakings	4,509	610
	<u>5,121</u>	<u>869</u>

Notes to the Accounts (continued)

For the year ended 30th June 2013

8. Earnings per share

	2013	2012
Earnings per share are based on the profit on ordinary activities after taxation and non-controlling interests of £5,121,000 (2012 - £869,000) and on 31,207,479 (2012 - 31,207,479) shares being the weighted average of number of shares in issue during the year.	<u>16.4p</u>	<u>2.8p</u>

Headline earnings are required to be disclosed by the JSE

Headline earnings per share are based on the on ordinary activities after taxation and non-controlling interests, before unrealised changes in the fair value of investments, of £171,000 (2012 - £2,003,000) and on 31,207,479 (2012 - 31,207,479) shares being the weighted average of number of shares in issue during the year.

<u>0.4p</u>	<u>6.4p</u>
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9. Tangible assets

	Office Equipment £000
At Valuation - 1 st July 2012	
At cost – 1 st July 2012	51
Additions	-
30 th June 2013	<u>51</u>
Depreciation	
Balance - 1 st July 2012	47
Charges for the year	1
30 th June 2013	<u>48</u>
Net book amount 30th June 2013	<u>3</u>
Net book amount 30 th June 2012	<u>4</u>

The office equipment is held by a subsidiary company.

10. Investment in group companies

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

	Percentage of equity	2013 £000	2012 £000	Principal activities
Held by the Company - at cost				
City Group P.L.C.	51.4	89	89	Management services
Lonfin Investments Limited	100		-	Investment holding
- Loan to subsidiary, less provision		<u>6,058</u>	<u>5,898</u>	
		<u>6,147</u>	<u>5,987</u>	

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

11. Investments

(a) held as non-current assets	2013 £000	2012 £000
	Group	
<i>(i) Listed associated undertaking (Western Selection P.L.C.)</i>		
Shares at cost – brought forward	6,159	6,159
Fair value adjustment – unrealised losses	<u>(2,229)</u>	<u>(3,015)</u>
Market value at 30 th June	<u>3,930</u>	<u>3,144</u>
<i>(ii) Other listed investments (Finsbury Food Group Plc)</i>		
At cost, 1 st July 2012, less provision	1,963	3,574
Addition during year	390	-
Provided during year	(70)	(1,611)
Fair value adjustment – unrealised profit/(losses)	<u>3,567</u>	<u>(13)</u>
Market value at 30 th June	<u>5,850</u>	<u>1,950</u>
(b) Held as current assets	Company and Group	
<i>(i) Listed investments (General Portfolio)</i>		
At cost less provision	3,315	2,689
Fair value adjustment – unrealised gains	<u>2,286</u>	<u>1,844</u>
Market value at 30 th June	<u>5,601</u>	<u>4,533</u>

(c) Associated undertaking

Western Selection P.L.C., the associated undertaking, is a strategic investment company traded on PLUS Stock Exchange and incorporated and operating in Great Britain with a financial year end of 30th June 2013.

At 30th June 2013 it had 17,949,872, ordinary shares of 40p each in issue, of which 43.8% are owned by the Company's wholly owned subsidiary, Lonfin Investments Limited.

Extracts from Western's results are: **to be updated**

(Loss)/Profit after tax	(182)
Non current asset investments	12,356
Current assets	71
Liabilities due within one year	805
Net asset value per share	72p
Middle market price per share on 30th June	42.5p

Notes to the Accounts (continued)

For the year ended 30th June 2013

12. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade debtors	155	155	6	6
Other debtors	37	77	-	-
Prepayments and accrued income	62	40	29	12
	<u>256</u>	<u>272</u>	<u>35</u>	<u>18</u>

13. Trade and other payables

Bank loans	650	1,950	650	1,950
Group companies	-	-	-	42
Corporation tax	-	48	-	46
Other taxes	30	10	-	-
Other creditors	4	18	1	1
Trade creditors	1	17	-	10
Accruals	210	124	106	47
	<u>895</u>	<u>2,167</u>	<u>757</u>	<u>2,096</u>

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

14. Deferred taxation

The Company has provided £80,000 in respect of potential taxation on unrealised investment gains. The unrealised investment gains on the Group's non-current investments are covered by available losses and indexation relief. No deferred tax asset is brought into account for the excess of losses as the recovery of these is uncertain.

15. Share Capital and Reserves

	2013	2012
	Company and Group	
	£000	£000
Authorised equity share capital 35,000,000 shares of 5p each	<u>1,750</u>	<u>1,750</u>
Allotted, issued and fully paid shares of 5p each 31,207,479 at 1 st July 2012 and 30 th June 2013	<u>1,560</u>	<u>1,560</u>

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

15. Share Capital and Reserves (continued)

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

	Description and purpose
Share capital	Nominal value of issued share capital
Share premium	Amount subscribed for share capital in excess of nominal value.
Unrealised profits and losses on investments	Cumulative unrealised gains and losses on investments.
Share of undistributed profits of subsidiaries	The Company's share of cumulative undistributed post-acquisition gains and losses of subsidiaries recognised in the income statement.
Realised profits and losses	Realised profits of the Company less realised losses and unrealised losses other than on investments.

The balances and movements on each of the above reserves are disclosed in the Consolidated Statement of Total Comprehensive Income and Changes in Shareholders' Equity on page 13 and the Company's Statement of Comprehensive Income and Changes in Shareholders' Equity below.

16. Company Statement of Comprehensive Income and Changes in Shareholders' Equity

	Ordinary share capital £000	Share premium account £000	Revaluation reserve £000	Unrealised profits and (losses) on investments £000	Realised profits and (losses) £000	Total £000
Year ended 30th June 2012						
Balances at 1st July 2012	1,560	2,320	330	849	5,825	10,884
Total comprehensive income	-	-	-	(296)	259	(37)
Transfer on disposal	-	-	(330)	-	330	-
Dividends paid	-	-	-	-	-	-
Total transactions with shareholders	-	-	-	-	(203)	(203)
Balances at 30 th June 2012	1,560	2,320	-	553	6,211	10,644
Year ended 30th June 2013						
Balances at 1st July 2012	1,560	2,320	-	553	6,211	10,644
Total comprehensive income	-	-	-	623	(11)	612
Dividends paid	-	-	-	-	(234)	(234)
Total transactions with shareholders	-	-	-	-	(234)	(234)
Balances at 30 th June 2013	1,560	2,320	-	1,176	5,966	11,022

17. Pension Schemes

The Group makes pension contribution to the personal pension schemes of certain employees which are money purchase schemes and for which it has no responsibility for unfunded liabilities. Amounts paid are declared in Note 5.

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

	At start of year £000	Cash flow £000	At end of year £000
2012/2013			
Cash at bank	2,217	(2,101)	116
Bank loan	<u>(1,950)</u>	<u>1,300</u>	<u>(650)</u>
	<u>267</u>	<u>(801)</u>	<u>(534)</u>
2011/2012			
Cash at bank	21	2,196	2,217
Bank loan	<u>(1,816)</u>	<u>(134)</u>	<u>(1,950)</u>
	<u>(1,795)</u>	<u>2,062</u>	<u>267</u>

19. Operating leases

The Group has an operating lease commitment in respect of an office property entered into on 12th July 2012 and terminating on 12th April 2014. Payments of £48,750 were recognised in the year and the minimum amount payable to termination is £38,200. The Company has guaranteed the obligations under this lease.

20. Financial Instruments

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

The categories of financial instruments used by the Company to achieve its objectives as set out in the Directors' report are:

	2013 £000	2012 £000
Financial assets		
At fair value through income		
Non-current investments (associated companies and strategic investments)	9,780	5,094
Current asset investments (General portfolio)	5,601	4,533
Loans and receivables		
Trade and other receivables	256	272
Cash at bank	116	2,217
Financial liabilities		
Trade and other payables	107	160
Taxation payable	80	48
Bank overdrafts	650	1,950

Notes to the Accounts (continued)

For the year ended 30th June 2013

20. Financial Instruments (continued)

Interest Rate Profile

The Group finances its operations through a mixture of retained profits and bank borrowings, in pounds sterling. Drawings under the facility are at a rate fluctuating with base rate.

The effective rate of interest on borrowings for the year was 0.5% (2012 – 5.6%). The sensitivity of the Group to a 1% change in interest rates would have been £9,000 in the current year. (2012 - £52,000).

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

Currency Exposures

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

	2013	2012
Currency	£000	£000
Euro	1,970	1,714
Swiss franc	1,260	961
US dollar	438	-
Danish kroner	-	147
Swedish kroner	245	169
	<u>3,913</u>	<u>2,991</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 £39,000 in aggregate (2012 - £30,000)

Liquidity Risk – The Group's policy is that its borrowings should be flexible and available over the medium term. The bank borrowings were by way of a loan facility of £2 million ending on 30th April 2013. This has been replaced by a loan facility of £1.5 million expiring in 2017. 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.

Market Risk

The Company is exposed to market risk through the equity investments in other companies. The Company maintains a spread of investments over various sectors and monitors performance continuously as described above. The majority of the 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 £98,000 (2012 - £51,000) and a corresponding increase in the unrealised profits reserve. A 1% increase, would, on the same basis, increase fair values and decrease the unrealised profits reserve. The same percentage increase/decrease in the current asset investments would increase/decrease carrying values by £56,000 (2012 - £45,000) and unrealised profits reserve (or earnings where a decline was below cost) by an equal amount.

20. Financial Instruments (continued)

Fair Value

Investments within the general and strategic portfolios are carried at fair values determined by the prices available from the markets on which the instruments involved are traded. Unlisted investments are stated at cost net of impairment provisions because fair value cannot be readily determined. Movements in fair value net of impairment provisions, are taken through the income statement.

The fair value of short term deposits, overdrafts and trade and other receivables and payables approximates to the carrying amount because of the short maturity of these instruments.

Credit risk

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

21. International Financial Reporting Standards

As indicated in note 1, at the date of authorisation of these financial statements the IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued interpretations and amended or revised standards, to be applied to financial statements with periods commencing either on or after 1 January 2013.

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2013, have had a material effect on the financial statements. None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2013 and which have not been adopted early, are expected to have a material effect on the company's future financial statements.

Corporate Governance

Corporate Governance is the process by which companies are controlled and directed. The UK Listing Authority requires UK premium listed companies to comply with principles of the UK Corporate Governance Code (the Code), the detailed provisions of which 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, Frank Lucas and Lloyd Marshall. 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, Lloyd 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 other than the Chairman is limited by the Company's Articles of Association at a maximum of £10,000 each, unless approved at some other sum by the Company in General Meeting. The current rates of remuneration are set out in detail in the Remuneration Report. The remuneration of the executive director and employees of the Company's subsidiary, City Group P.L.C., is determined by the board of City Group, which includes David Marshall, Lloyd Marshall and Michael 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.

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.

Corporate Governance (continued)

The Board met on six occasions during the year following a formal agenda. It met one further time by telephone for ad-hoc reasons (sale of investment property). Attendance at board meetings during the year is shown in the following table:

	Board (scheduled)	Audit Committee
No. of meetings in year	6	1
D.C. Marshall	6	-
F.W.A. Lucas	6	1
L.H. Marshall	6	-
J.H. Maxwell	5	-
J.M. Robotham	6	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 evaluates its own performance and that of its committees and individual Directors.

Audit Committee

The board, through its audit committee, annually reviews all material internal controls, including financial, operational and compliance controls, and risk management systems. As a result of this review, procedures are adopted which mitigate those risks which have not been specifically accepted under the Group's investment policy. The responsibility on a day to day basis for maintaining a sound system of internal controls rests with the Directors of City Group 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. 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, considers the financial implications and assesses the adequacy and effectiveness of their control. The Board has discussed the results of this review and the Directors can therefore confirm that they have reviewed the effectiveness of the company's system of internal control.

The Board maintains an appropriate relationship with the Group's auditors through the Audit Committee. The auditors do not provide any non-audit services other than payroll processing and 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 candidates 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. Mr J. H. Maxwell, the senior independent non-executive director is also always available should a shareholder wish to draw any matters to his attention.

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

Statement of Directors' Responsibilities in Respect of the Accounts

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare financial statements in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance (continued)

Each of the Directors whose names and functions are listed on page 2 confirms that to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principle risks and uncertainties that they face.

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 director 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, Mr L. H. 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. The remuneration of the Chairman is £10,000 p.a. and the remuneration of the non-executive directors is £7,500 p.a.

Approved Share Option Scheme

This scheme was created to incentivise full time employees and Directors of the Company's subsidiary City Group. Performance conditions are attached to options granted which include targets for growth in shareholder value. The 115,384 options granted under this scheme in 2007 have lapsed.

Unapproved Employee Benefit Scheme

This scheme was set up to incentivise full time employees and Directors of the Company's subsidiary City Group. Awards will be dependent upon performance and no awards have yet been made under this scheme.

Performance Graph **to follow**

Lonfin Total Shareholder Return v FTSE Eurofirst 300 Index

June 2007 June 2008 June 2009 June 2010 June 2012 June 2013

Remuneration Report (continued)

The above graph shows London Finance & Investment Group P.L.C.'s Total Shareholder Return (TSR) performance compared to the TSR of the FTSE Eurofirst 300 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 Eurofirst 300 Index, being a member of the FTSE Fledgling index which is not deemed an appropriate comparator as it contains many small companies of varying nature.

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

Audited Information

Service Contracts

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

Directors' Remuneration

The Directors' remuneration is by way of Directors fees only and during the year comprised:

	2013		2012
	Total £		Total £
Non-executive Chairman			
Mr D.C. Marshall	10,000	*	10,000
Non-executive Directors			
Mr. J.H. Maxwell	7,500		7,500
Dr. F.W.A. Lucas	7,500	†	7,500
Mr. L.H. Marshall (appointed 3 rd August 2013)	7,500	♦	6,000
Mr. J.M. Robotham	15,000	♣	15,000
	<u>47,500</u>		<u>46,000</u>

* Mr. D.C. Marshall ceded his fees to a 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.

♦ Mr. L.H. Marshall ceded his fees of £7,500 to his primary employer.

† Dr Lucas ceded his fees of £7,500 (2012 - £7,500) to his primary employer.

♣ Of this sum, £7,500 (2012 - £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.

The Company does not make bonus payments to any director.

Share Options

Except as noted below, none of the Directors have any options over shares of the Company.

Mr L. H. Marshall was granted Approved Share Options while an employee of City Group but these options have lapsed.

Long Term Incentives

The Company will consider these in the light of changing legislation, but has no plans to adopt long-term incentives, other than the Approved Share Option Scheme and Unapproved Employee Benefit Scheme.

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

18th October 2013

Report of the Independent Auditors

To the members of London Finance & Investment Group P.L.C.

We have audited the group and parent company financial statements of London Finance & Investment Group P.L.C. for the year ended 30th June 2013 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flow and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30th June 2013 and of the group's and the parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 32, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2009 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Haydn Wood (Senior Statutory Auditor)
For and on behalf of Steele Robertson Goddard
Chartered Accountants and Statutory Auditors
London, United Kingdom

[] 2013

Summary of Results

For the five years ended 30 June 2013

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Consolidated Statement of financial position					
Issued share capital	1,560	1,560	1,560	1,560	1,560
Share premium and other reserves	7,216	2,084	3,530	890	45
Company's retained realised profits	5,966	6,211	5,825	6,004	6,239
Shareholders' funds (all equity)	14,742	9,855	10,915	8,454	7,844
Non-controlling interests	81	98	92	84	90
	<u>14,823</u>	<u>9,953</u>	<u>11,007</u>	<u>8,538</u>	<u>7,934</u>
Disposition of Capital					
Long Leasehold Property	-	-	2,093	1,575	1,575
Other Non-current Assets (Strategic Investments)	9,783	5,098	5,933	4,667	4,797
	<u>9,783</u>	<u>5,098</u>	<u>8,026</u>	<u>6,242</u>	<u>6,372</u>
Current assets					
Listed investments (General portfolio)	5,601	4,533	4,668	4,225	3,976
Other current assets	256	272	260	294	309
Cash and deposits	116	2,217	21	17	114
	<u>5,973</u>	<u>7,022</u>	<u>4,949</u>	<u>4,536</u>	<u>4,399</u>
Liabilities and deferred tax	(933)	(2,167)	(1,968)	(2,240)	(2,837)
	<u>14,823</u>	<u>9,953</u>	<u>11,007</u>	<u>8,538</u>	<u>7,934</u>
Net assets per share	47.2p	31.6p	35.0p	27.1p	25.1p
Dividend per share	[]	0.7p	0.6p	0.6p	Nil

Notice of Annual General Meeting

NOTICE is hereby given that the ANNUAL GENERAL MEETING of London Finance & Investment Group P.L.C. (the “Company”) will be held at the offices of City Group P.L.C., 30 City Road, London, EC1Y 2AG on Wednesday 28th November 2013 at 10.00 a.m. for the following purposes:-

1. To receive the Directors' Report and Accounts for the year ended 30th June 2013.
2. To receive and adopt the Remuneration Report for the year ended 30th June 2013.
3. To declare a dividend.
4. To re-elect Mr. D.C. Marshall a director.
5. 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 Resolution which will be proposed as an Ordinary Resolution:-

6. 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 551 of the Companies Act 2006 (“the Act”)) up to a maximum nominal amount of £189,626 (being 3,792,521 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; and that the Company be and is hereby authorised to make prior to the expiry of such period referred above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and 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:

7. That
 - (a) in accordance with Section 570 of the Companies Act 2006 the Directors be and are hereby given power to allot shares pursuant to the authority conferred by the Ordinary Resolution numbered 7 passed at the Annual General Meeting held on 28th November 2013, as and when the same becomes effective as if Section 563 of the Companies Act 2006 did not apply to any such allotment, provided that:
 - (i) the power hereby conferred shall be limited;
 - (aa) to the allotment of shares in the Company in connection with or pursuant to an offer by way of rights, bonus issues or other similar issues to the holders of Shares of 5p each in the capital of the Company and other persons entitled to participate therein in proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the numbers of such shares which such other persons are for those purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with (i) fractional entitlements or legal or practical problems under the laws or the requirements of any recognised regulatory body in any territory (ii) underwriting of such an issue and (iii) applications by shareholders for equity instruments offered to other shareholders as part of such an issue, but not taken up by other shareholders; and

-
- (bb) to the allotment (otherwise than pursuant to sub-paragraph (i) (aa) of this proviso) of shares in the Company up to an aggregate nominal amount of £78,000 (1,560,000 shares) representing 5 per cent. of the issued share capital;
- (ii) the power hereby granted shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this resolution;
- (b) the said power shall allow and enable the Directors to make an offer or agreement before the expiry of that power which would or might require shares in the Company to be allotted after such expiry and the Directors may allot shares in the Company in pursuance of such offer or agreement as if the said power had not expired
- (c) words and expressions defined in or for the purposes of Part 17 of the Companies Act 2006 shall bear the same meaning herein"

By Order of the Board,

30 City Road,
London EC1Y 2AG.

CITY GROUP P.L.C.
Secretaries

[] 2013

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 Secretaries, City Group P.L.C. at 30 City Road, London, EC1Y 2AG, U.K., for those shareholders on the U.K. branch of the register, or Computershare Investor Services (Pty) Limited, for those shareholders of the South African branch of the register, not less than 48 hours before the time 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 (Pty.) Limited of any change of address.

