

London Finance & Investment Group PLC

(‘Lonfin’ or the ‘Company’)

Unaudited Interim Results for the six months ended 31st December 2019 and interim dividend declaration

The Company today announces its unaudited interim results and interim dividend declaration for the six months ended 31st December 2019 (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. The Company acknowledges the benefits of socially responsible long-term investment and consideration of ESG issues is integrated in its investment decision-making processes.

At 31st December 2019, we held two Strategic Investments: Western Selection PLC and Finsbury Food Group Plc. Detailed comments on our Strategic Investments are given below.

Results

Our net assets per share increased by 6.7% to 63p at 31st December 2019 from 59p at 30th June 2019. Our Strategic Investments increased in value by 19% during the period. Our General Portfolio increased by 0.2%, compared with increases of 1.6% and 7.2% in the FTSE 100 index and the FTSEurofirst 300 Index respectively, over the half year. At the close of business on 31st January 2020, our net asset value was 62.6p per share.

The Group profit before tax for the half year was £91,000 compared to a restated loss of £727,000 for the same period last year. Our total comprehensive profit after tax and minority interest was £1,478,000 (2018 restated: £876,000) giving an earnings per share of 0.33p (2018 restated: loss per share 1.67p).

Strategic Investments

Finsbury Food Group Plc (“Finsbury”)

Finsbury is a leading UK speciality bakery manufacturer of cake, bread and morning goods for the retail and foodservice channels. Further information about Finsbury, which is admitted to trading on AIM, is available on its website: www.finsburyfoods.co.uk

On 16th September 2019, Finsbury announced profits on continuing operations after tax of £10,293,000 for the 52 weeks ended 29th June 2019 (2018: £3,164,000).

Finsbury also announced that a final dividend of 2.34p per share would be paid in December 2019 which provided Lonfin with income of £140,400.

At 31st December 2019, Lonfin held 6,000,000 Finsbury shares, which represent 4.6% of Finsbury’s issued share capital. The market value of this investment at 31st December 2019 was £5,880,000 (30th June 2019: £4,020,000) representing 30% of Lonfin’s net assets.

Western Selection PLC (“Western”)

The Group owns 7,860,515 Western shares, representing 43.8% of Western’s issued share capital. Western is a strategic investment which is technically a subsidiary of the Company that has not been consolidated due to the application of the investment entity exemption under IFRS 10.

On 21st February 2020, Western announced a loss before tax of £221,000 for the half year to 31st December 2019 (2018: loss before tax of £427,000) and a loss per share of 0.7p (2018: loss per share of 2.4p). Western’s net assets at market value were £10,666,000 equivalent to 59p per share. Western also announced that it was not recommending the payment of an interim dividend (2018: 1.1p per share).

The market value of the Company’s investment in Western at 31st December 2019 was £3,144,000 representing 16% of the net assets of Lonfin (30th June 2019: £3,576,000). Our share of the net assets of Western, including the value of Western’s investments at market value, was £4,672,000 (30th June 2019 - £5,005,000).

I am the Chairman of Western and Edward Beale is a non-executive director.

Western’s main Core Holdings are Northbridge Industrial Services Plc, Brand Architekts Group Plc (formerly, Swallowfield PLC), Bilby Plc and Tudor Rose International Limited.

An extract from Western’s interim results announcement relating to its main Core Holdings is set out below:

Core Holdings

Northbridge Industrial Service Plc (“Northbridge”)

Northbridge hires and sells specialist industrial equipment to a non-cyclical customer base. With offices or agents in the UK, USA, Dubai, Germany, Belgium, France, Australia, New Zealand, Singapore, Brazil, 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 and oil tools. Further information about Northbridge, which is admitted to trading on AIM, is available on its website: www.northbridgegroup.co.uk

Northbridge’s latest results, for the half year to 30th June 2019, showed a loss after tax of £122,000 for the period (2018: loss after tax of £1,472,000). No interim dividend payment was recommended (2018: none).

Western owns 3,300,000 Northbridge shares which represent 11.8% of Northbridge’s issued share capital. The market value of this investment at 31st December 2019 was £4,455,000 (30th June 2019: £4,900,500), representing 41.7% of Western’s net assets.

Brand Architekts Group Plc (“Brand Architekts”)

Brand Architekts (formerly, Swallowfield plc) is a beauty brands business specialising in the delivery of innovative products to consumers and retailers. Brand Architekts has developed both organically and through acquisition a portfolio of brands that are owned and managed by the Brand Architekts group. Further information about Brand Architekts, which is admitted to trading on AIM, is available on its website: www.brandarchitektsplc.com

Brand Architekts announced its annual results for the 52 weeks ended 29th June 2019 on 30th September 2019 showing an adjusted profit after tax of £1,590,000 compared to an adjusted profit after tax of £1,932,000 for the comparable period last year. Brand Architekts also announced that a final dividend of 4.35p per share would be paid in December 2019 which provided Western with income of £56,550.

Western owns 1,300,000 Brand Architekts shares which represent 7.6% of Brand Architekts’ issued share capital). The market value of this investment at 31st December 2019 was £1,976,000 (30th June 2019: £2,502,000), representing 18.5% of Western’s net assets.

Edward Beale, a director of Western, is a non-executive director of Brand Architekts.

Bilby Plc (“Bilby”)

Bilby is an award-winning provider of gas and electrical installation, maintenance and general building services to local authority and housing associations predominantly in London and South East England. It has a strategy of growing organically and by acquisition. Further information about Bilby, which is admitted to trading on AIM, is available on its website: www.bilbyplc.com.

Bilby announced its interim results for the six-month period to 30th September 2019 on 19th December 2019 showing a profit after tax of £542,000 (2018: £1,133,000). Bilby also announced that it would not be recommending the payment of an interim dividend.

Western invested an additional £400,000 in a private placing undertaken by Bilby in November 2019 acquiring an additional 3,636,363 shares at a price of 11p per share.

Western owns 6,336,363 Bilby shares, which represent 10.8% of Bilby’s issued share capital. The market value of this investment at 31st December 2019 was £1,711,000 (30th June 2019: £877,000) representing 16.0% of Western’s net assets.

Tudor Rose International Limited (“Tudor Rose International”)

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

As announced in our Final Results on 30th September 2019, this investment has been fully provided against.

Edward Beale and David Marshall, both directors of Western, are non-executive directors of Tudor Rose International.

General Portfolio

Lonfin’s general portfolio is diverse with material interests in Food and Beverages, Natural Resources, Chemicals and Tobacco. We believe that the portfolio of quality companies we hold has the potential to outperform the market in the medium to long term.

At 31st December 2019, the number of holdings in the General Portfolio was 30 (2018: 30).

Outlook

The Company’s investment performance since the year end has been affected by the volatility in the markets and by the reduction in value of our Strategic Holdings. Although global stock markets have shown resilience and strength over the course of the last year, they are now close to all-time highs at a time when there is continued economic and political uncertainty. Accordingly, the Board remains cautious about the potential impact of major geo-political risks, including the outcome of future trading relationships with the EU, and expects to see continued volatility in the equity and currency markets. These may impact further on the value of our investments.

The Board has declared an interim dividend of 0.55p per share (2018: 0.55p).

24th February 2020

D.C. MARSHALL
Chairman

Interim Dividend

The Board recommends an interim gross dividend of 0.55p per share (10.73127 SA cents) (2018: 0.55p) which will be paid on Friday 3rd April 2020 to those members registered at the close of business on Friday 13th March 2020 (SA and UK). Shareholders on the South African register will receive their dividend in SA Rand converted from sterling at the closing rate of exchange on Tuesday, 18th February 2020, being GBP 1 = SA Rand 19.5114.

JSE Disclosure Requirements

In respect of the normal gross cash dividend, and in terms of the South African Tax Act, the following dividend tax ruling only applies to those shareholders who are registered on the South African register on Friday, 13th March 2020. All other shareholders are exempt.

- The number of shares in issue now and as at the interim dividend declaration date is 31,207,479;
- The interim gross dividend is 10.73127 SA cents;
- The interim net dividend is 8.58502 SA cents;
- The dividend has been declared from income reserves, which funds are sourced from the Company's main bank account in London and is regarded as a foreign dividend by South African shareholders; and
- The Company's UK Income Tax reference number is 948/L32120.

Dividend dates:

Last day to trade (SA)	Tuesday 10 th March 2020
Shares trade ex-dividend (SA)	Wednesday 11 th March 2020
Shares trade ex-dividend (UK)	Thursday 12 th March 2020
Record date (SA and UK)	Friday 13 th March 2020
Dividend Payment date	Friday 3 rd April 2020

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

Shareholders registered on the South African register are advised that the dividend withholding tax will be withheld from the gross final dividend amount of 10.73127 SA cents per share at a rate of 20% unless a shareholder qualifies for an exemption; shareholders registered on the South African register who do not qualify for an exemption will therefore receive a net dividend of 8.58502 SA cents per share. The dividend withholding tax and the information contained in this paragraph is only of direct application to shareholders registered on the South African register, who should direct any questions about the application of the dividend withholding tax to Computershare Investor Services (Pty) Limited, Tel: +27 11 370 5000

Share certificates may not be de-materialised or re-materialised between Wednesday 11th March 2020 and Friday 13th March 2020, both dates inclusive. Shares may not be transferred between the registers in London and South Africa 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 2019, have been prepared in accordance with IAS 34, 'Interim financial reporting', 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.

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 PLC, the Company Secretary, at 1 Ely Place, London EC1N 6RY

The information communicated within this announcement was deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this information is considered to be in the public domain.

The directors of the Company accept responsibility for the contents of this announcement.

For further information, please contact:

London Finance & Investment Group PLC +44(0) 20 7796 9060

Sponsor:

Sasfin Capital (a member of the Sasfin Group).

Consolidated Statement of Total Comprehensive Income (Unaudited)

	Half year ended 31 st December		Year Ended 30 th June
	2019	2018	2019
		Restated for IFRS 16	Restated for IFRS 16
	£000	£000	£000
Operating Income			
Dividends receivable	271	335	687
Rental and other income	75	55	130
Profit on sales of investments	-	15	15
Management service fees	139	132	260
	<u>485</u>	<u>537</u>	<u>1,092</u>
Administrative expenses			
Investment operations	(221)	(209)	(398)
Management services	(170)	(189)	(328)
Total administrative expenses	<u>(391)</u>	<u>(398)</u>	<u>(726)</u>
Operating profit	<u>94</u>	<u>139</u>	<u>366</u>
Unrealised changes in the carrying value of General Portfolio investments	21	(814)	748
Exceptional costs – office move	-	(35)	(67)
Interest payable	(24)	(17)	(57)
Profit/(Loss) before taxation	<u>91</u>	<u>(727)</u>	<u>990</u>
Tax income/(expense)	28	182	(95)
Profit/(Loss) after taxation	<u>119</u>	<u>(545)</u>	<u>895</u>
Non-controlling interest	(14)	22	13
Profit/(Loss) attributable to shareholders	<u>105</u>	<u>(523)</u>	<u>908</u>
Other comprehensive income/(expense) –			
Unrealised changes in the carrying value of Strategic Investments	1,428	(443)	(3,054)
Other taxation -			
Deferred tax	(52)	90	379
Total other comprehensive income/(expense)	<u>1,376</u>	<u>(353)</u>	<u>(2,675)</u>
Total comprehensive income/(expense) attributable to shareholders	<u>1,481</u>	<u>(876)</u>	<u>(1,767)</u>
Basic, Diluted and Headline earnings per share	<u>0.3p</u>	<u>(1.7)p</u>	<u>2.9p</u>
Interim dividend	<u>0.55p</u>	0.55p	0.55p
Final dividend	-	-	0.60p
Total in respect of the period	<u>0.55p</u>	<u>0.55p</u>	<u>1.15p</u>

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Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

	Ordinary Share Capital	Share Premium Account	Unrealised Profits and Losses on Investments	Share of Retained profits and losses Results of Subsidiaries	Retained Realised Profits & Losses	Total	Non- Controlling Interests	Total Equity
	£000	£000	£000	£000	£000	£000	£000	£000
Period ended 31st Dec 2019								
Balances at 1 st July 2019	1,560	2,320	6,085	4,574	3,739	18,278	100	18,378
IFRS 16 adjustment	-	-	-	(9)	-	(9)	(8)	(17)
Restated Balance at 1 st July 2019	1,560	2,320	6,085	4,565	3,739	18,269	92	18,361
Profit/(Loss) for the Period	-	-	60	153	(108)	105	14	119
Other Comprehensive Income	-	-	1,376	-	-	1,376	-	1,376
Total comprehensive income	-	-	1,436	153	(108)	1,481	14	1,495
Dividends paid and total transactions with shareholders	-	-	-	-	(187)	(187)	-	(187)
Balances at 31st Dec 2019	1,560	2,320	7,521	4,718	3,444	19,563	106	19,669

	Ordinary Share Capital	Share Premium Account	Unrealised Profits and Losses on Investments	Share of Retained profits and losses Results of Subsidiaries	Retained Realised Profits & Losses	Total	Non- Controlling Interests	Total Equity
	£000	£000	£000	£000	£000	£000	£000	£000
Period ended 31st Dec 2018								
Balances at 1 st July 2018	1,560	2,320	8,056	4,207	4,253	20,396	105	20,501
(Loss)/Profit for the Period	-	-	(613)	198	(105)	(520)	(19)	(539)
IFRS 16 adjustment	-	-	-	(3)	-	(3)	(3)	(6)
Other Comprehensive Expense	-	-	(353)	-	-	(353)	-	(353)
Total comprehensive (expense)/income	-	-	(966)	195	(105)	(876)	(22)	(898)
Dividends paid and total transactions with shareholders	-	-	-	-	(187)	(187)	-	(187)
Restated Balances at 31st Dec 2018	1,560	2,320	7,090	4,402	3,961	19,333	83	19,416

London Finance & Investment Group PLC

Consolidated Statement of Financial Position (Unaudited)

	31 st December		30 th June
	2019	2018	2019
		Restated for	Restated for
		IFRS 16	IFRS 16
	£000	£000	£000
Non-current assets			
Property, plant and equipment	34	46	39
Right of use of leased offices	537	598	568
Strategic investments: -			
Finsbury Food Group Plc	5,880	6,120	4,020
Western Selection PLC	3,144	4,087	3,576
	<u>9,595</u>	<u>10,851</u>	<u>8,203</u>
Current assets			
Listed investments	11,404	9,829	11,383
Trade and other receivables	157	227	194
Cash and cash equivalents	317	495	240
	<u>11,878</u>	<u>10,551</u>	<u>11,817</u>
Current liabilities			
Trade and other payables falling due within one year	(164)	(376)	(232)
Borrowings	(625)	(550)	(400)
Lease liability	(50)	(14)	(49)
	<u>(839)</u>	<u>(940)</u>	<u>(681)</u>
Net Current Assets	<u>11,039</u>	<u>9,611</u>	<u>11,136</u>
Non-current liabilities			
Lease liability	(557)	(607)	(583)
Deferred taxation	(408)	(439)	(395)
Total Assets less Total Liabilities	<u>19,669</u>	<u>19,416</u>	<u>18,361</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	7,521	7,090	6,085
Share of retained profits and losses of subsidiaries	4,718	4,402	4,565
Company's retained realised profits and losses	3,444	3,961	3,739
Total Capital and Reserves attributable to owners	<u>19,563</u>	<u>19,333</u>	<u>18,269</u>
Non-controlling equity interest	106	83	92
	<u>19,669</u>	<u>19,416</u>	<u>18,361</u>
Net assets per share	63.0p	62.2p	58.8p
Number of shares in issue	31,207,479	31,207,479	31,207,479

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Consolidated Statement of Cash Flows (Unaudited)

	Half year ended 31 st December	Year ended 30 th June
	2019	2018
		Restated for IFRS 16
	£000	£000
		Restated for IFRS 16
		£000
Cash flows from operating activities		
Profit/(Loss) before tax	91	(727)
Adjustments for non-cash items-		
Finance expense	24	17
Depreciation charges	36	21
Unrealised changes in the fair value of investments	(21)	814
Realised gain on disposal of investments	-	(15)
Decrease in trade and other receivables	37	26
(Decrease)/Increase in trade and other payables	(68)	28
Taxes paid	(11)	(11)
Net cash inflow from operating activities	88	153
Cash flows from investment activity		
Acquisition of property, plant and equipment	-	(39)
Acquisition of current investments	-	(611)
Disposal of current investment	-	660
Net cash inflow from investment activity	-	10
Cash flows from financing		
Operating lease financing	(40)	-
Interest paid	(9)	(9)
Equity dividends paid	(187)	(188)
Net drawdown of loan facilities	225	225
Net cash (outflow)/inflow from financing	(11)	28
Increase/(Decrease) in cash and cash equivalents	77	191
Cash and cash equivalents at the beginning of the year	240	304
Cash and cash equivalents at end of the year	317	495

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 2019			
Cash and cash equivalents	240	77	317
Bank revolving credit facility	(400)	(225)	(625)
Net cash and cash equivalents	(160)	(148)	(308)
31st December 2018			
Cash and cash equivalents	304	191	495
Bank revolving credit facility	(325)	(225)	(550)
Net cash and cash equivalents	(21)	(34)	(55)
Year ended 30th June 2019			
Cash and cash equivalents	304	(64)	240
Bank revolving credit facility	(325)	(75)	(400)
Net cash and cash equivalents	(21)	(139)	(160)

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 2019 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.

This report has been prepared in accordance with the accounting policies contained in the Group's 2019 Annual Report and Accounts and International Financial Reporting Standards, and complies with IAS 34, 'Interim financial reporting' as adopted by the EU. The financial information contained in this report has not been audited or reviewed by the Company's auditors.

IFRS 16 'Leases' was applied for a first time in this accounting period. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17. The standard replaces IAS 17 'Leases' and related interpretations.

The Group has only one operating lease and the right of use of asset and lease liability have been estimated based on 5% discount factor and the cash flow predicted over 10-year lease life. The Income statement has also been affected with additional depreciation and interest charges which replace the rent costs.

The Group has chosen to apply the full retrospective approach in transitioning to the new accounting standard.

2. **Earnings/loss per share:**

Earnings/loss per share are based on the profit on ordinary activities after taxation and non-controlling interests of £105,000 (2018 restated: loss of £523,000) and on 31,207,479 (2018: 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.

Reconciliation of headline earnings

Headline earnings are required to be disclosed by the JSE. Headline earnings per share are based on the profit attributable to the shareholders after tax and non-controlling interests of £105,000 (2018 restated: loss of £523,000) and on 31,207,479 (2018: 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 and its performance over the remaining six months of the financial year are disclosed on pages 8-9 of the Group's 2019 Annual Report and Accounts. The key risks and mitigating activities have not changed from these:

- Stock market volatility, economic uncertainty and Brexit;
- Possible volatility of share prices of Strategic Investments and General Portfolio investments;
- Dividend income;
- Ability to make strategic investments; and
- Liquidity of equity investments in strategic investments.

Composition of General Portfolio

	Value	
	£000	%
LVMH Moet Hennessey	702	6.2
Investor AB (B)'	573	5.0
Diageo	544	4.8
Schindler-Holdings	538	4.7
Brown Forman (B)	523	4.6
Givaudan	500	4.4
Nestle	493	4.3
L'Oreal	472	4.1
Pernod Ricard	467	4.1
Unilever	439	3.8
Heineken Holding	434	3.8
Procter & Gamble Co	424	3.7
Royal Dutch Shell (B)	403	3.5
United Technologies Corp	384	3.4
Danone	376	3.3
Antofagasta	367	3.2
Exxon Mobil Corp	348	3.0
Phillip Morris International Inc	327	2.9
HSBC Holding	326	2.9
British American Tobacco	317	2.8
Reckitt Benckiser Group	300	2.6
Henkel	294	2.6
3M Co	293	2.6
Becton Dickinson & Co	287	2.5
BASF	240	2.1
Anheuser Busch Inbev	230	2.0
Deutsche Post	216	1.9
AP Moeller-Maersk	207	1.8
Compagnie Financiere Richemont	196	1.7
Imperial Brands	165	1.5
Maersk Drilling	19	0.2
	<u>11,404</u>	<u>100.0</u>