City of London Group plc

Half-year results 2013

Contents

LSE: CIN

29 November 2013

City of London Group plc ("COLG" or "the Company" or "the Group")

Results for the six month period ended 30 September 2013

The Company announces its unaudited interim results for the six month period ended 30 September 2013.

Highlights

Refinancing

- **Agreement reached for £3.5m of additional working capital facilities of which £2.5m is available immediately with a further £1m available in January 2014 together with a refinancing facility for £1.3m of existing loans**
- **Well-advanced discussions regarding a placing of £17.4m of new equity, is set out in a separate announcement released today**

Financial

- **Revenue increased by 45%**
- **Gross profit increased by 46%**
- **Underlying loss before tax £1.3m * (2012: underlying loss before tax £1.4m *)**
- **Loss before tax £2.0m (2012: loss before tax £0.5m)**

Platforms

- **Trade Finance Partners has experienced strong growth in recent months and has recently increased its facility with Macquarie Bank from £15m to £18m to meet higher trading volumes**

- **Credit Asset Management and Professions Funding now manage a book of £5.1m together with funds deployed as managed funds, which have increased from £5.6m to £9.8m**

- **Therium Capital Management continues to negotiate the final stages of a material US joint venture to fund litigation and international arbitration cases. Case results continue to be slower to come through than had been expected**

*** Underlying loss - loss before the exceptional provisions for bad debt on Central loan (£459,000) and system development costs (£207,000) as explained in note 3 to the interim statements (2012 - loss before exceptional profit on disposal of investments (£950,000)).**

John Kent, acting Chief Executive, commented:

"During the first six months we have seen continued growth in the platforms and have developed some attractive opportunities which now require increased capital going forward. We have obtained sufficient finance for the Group to continue its operations and we are continuing discussions regarding obtaining further capital for the planned expansion of the Group. Without this capital it will remain challenging to return the Group to profitability but I believe the market places in which we operate remain positive."

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Notes to Editors:

City of London Group plc is fully listed on the London Stock Exchange plc (LSE symbol CIN).

COLG is a financial services group focused on providing finance to the SME and professional services sectors. It does this by financing trade and securing specialist funding throughout the supply chain to help fuel growth in these sectors, as major national and foreign banks limit new lending to these borrowers. COLG seeks to identify and exploit product niches and business models in these sectors.

Since 2009, COLG has focused on Specialist Financing and Alternative Fund Management. As part of its strategy to build a quality Financial Services Group, COLG has developed four specialist financing funds, pledging significant seed funds to Therium Capital Management Limited, a third party Litigation Funder, Credit Asset Management Limited and Professions Funding Limited, which respectively provide asset backed finance to SMEs and working capital loans to professional practice firms and finally Trade Finance Partners Limited, a trade finance provider to the SME market.

www.cityoflondongroup.com

Chairman and Chief Executive's review

Operational review

Our update and review of strategic options on 1 November set out how further capital was required to realise the potential of the established operating platforms. Discussions are continuing regarding a revised proposal for the investment of approximately £17m into the holding company. In the meantime, new working capital facilities of £3.5m to fund the Group's operations have been agreed together with a refinancing facility for £1.3m of existing loans. Information on the working capital facilities together with the latest status of the discussions on the revised proposal for approximately £17m of new equity is contained in a separate announcement released today.

A review of the progress of each of the platforms is set out below.

Trade Finance Partners Limited (TFPL)

In the interim management statement in August, we reported that there had been a slower than expected draw down on the facility with Macquarie Bank in the first few months of the year. However, since then the demand for facilities has accelerated from both new and existing clients such that the £15m facility from Macquarie Bank is now fully drawn (by a combination of cash drawings and letters of credit). An increase in the facility of £3m has been signed with Macquarie Bank. The pipeline of clients remains strong with discussions underway with around 100 potential clients. As well as a seasonal aspect to the current demand in the lead up to Christmas, TFPL has also seen increased demand for funding commodity trades (including steel and biofuels) and has entered into three such trades.

The growth in underlying trading profit in the business has strengthened but reported profits are dependent on the accounting for interest on the three year operational financing facility from Macquarie which is undertaken in accordance with International Accounting Standard 39. Under this Accounting Standard the facility establishment fees of £1m together with unavoidable interest costs are spread over the lifetime of the facility on the basis of an effective interest rate on the expected utilisation profile. In the period the interest charged in cost of sales is approximately equivalent to the cash cost of the interest of £670,000 for the period which leaves approximately £1.3m of these costs carried forward for charging against the remaining 21 month trading period.

Credit Asset Management Limited (CAML) and Professions Funding Limited (PFL)

There has been a steady increase in the deployment of the funds managed in conjunction with the Department for Business Innovation & Skills ("BIS fund"), increasing from £1.4m at 31 March 2013 to £5.3m at 30 September 2013 and currently standing at £5.4m. The institutional account managed by PFL increased from £4.2m at 31 March 2013 to £4.5m at 30 September 2013.

The direct balance sheet lending ("own book") in CAML has declined slightly from £2.3m to £2.1m and in PFL has reduced from £3.6m to £3.0m. The scale of "own book" has been driven by COLG's own capital constraints, not by changed market demand which remains strong. Average net yields have held up well at around 13% for both CAML and PFL, with gross yields slightly above expectations, partially off-set by higher provisions for bad debts.

Therium Capital Management (Therium)

Therium has continued to experience healthy demand for funding litigation cases and has already allocated the majority of funds raised during 2013 to litigation investment opportunities.

Since the end of March two cases have been determined in favour of Therium funds with one case being lost. During the period case returns have generated fund revenues although these have had only a modest effect on the performance fees that have been accrued in relation to the period.

Novitas Loans continues its expansion and is in the process of broadening the range of products it offers to law firm clients.

Other investments

(a) "Available-for-sale" investments
COLG's equity portfolio reduced from £1.9m to £1.0m as a result of continued disposals of £0.9m, the proceeds of which have been used to fund the investment in the platforms and the Group.

(b) Fundamental Tracker Investment Management Limited (FTIM)
As announced on 8 April 2013, the Company completed the sale of its shares in this company on 5 April and since then the Company has sold all of its holdings in the Munro UK Dividend Fund which is managed by FTIM.

(c) Array Management Limited
Given the continuing delay in finding an appropriate opportunity from which to derive future benefits from the model that has been developed, the directors have decided to make full provision against the system development costs of £207,000.

(d) Other loans
A series of loans and investments including rolled up interest and fees of approximately £459,000 were made to an entity where we had primary expectation of repayment from the result of litigation on a specific case. The loans are secured on intellectual property. The case has recently been awarded against our client and therefore recovery is dependent on the exploitation of the intellectual property. The directors have decided to make a full provision against these loans until an adequate assessment of the plans relating to the intellectual property can be made.

Risks

The key risk factors faced by the Group were set out in the financial statements to 31 March 2013 and are still appropriate, save as disclosed in the "Cashflow risk" section of note 7.

Liquidity and going concern

Notes 31 and 32 to the annual financial statements to 31 March 2013 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk.

The Company has reported an operating loss for the period and the directors considered that the outlook presented significant challenges in terms of liquidity and have therefore put in place the new working capital facilities of £3.5m and a refinancing facility of £1.3m for existing loans to cover the liquidity requirements for the foreseeable future.

The Company is currently seeking approval to change the limitations on its borrowing powers so as to provide scope for future expansion of the Group. Shareholders should be aware that the new working capital facilities do not provide the expansion capital required and the Company needs to raise additional funds from alternative sources to fund expansion. This could entail investment from new or existing shareholders and/or the sale of existing assets and investments held by the Company. Whilst discussions are continuing regarding new equity capital of approximately £17m, in the absence of this expansion capital being available, the Board believes that the Company would need to restrict further investment in its existing platforms.

With the benefit of the new working capital facilities, the directors believe there is sufficient working capital available to the Group for the foreseeable future and therefore they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

Outlook

Without the benefit of new expansion capital the outlook for the Group is constrained. However, with the benefit of the proposed additional capital of approximately £17m, the outlook for the Group is positive. In particular, the trade finance business has a good pipeline and has now moved positively into the commodity arena having signed three commodity deals with more in the pipeline. The outlook for Therium is positive particularly if the international joint venture goes ahead. Even without the joint venture it is still expected to be profitable next year but as always it is dependent on the timing of final decisions of court cases which have been taking longer than expected to resolve. The leasing and professions funding business needs further funds to take it to profitability and as mentioned in our previous announcement on 1 November, discussions are taking place for potential significant funding for that platform but this is not yet secured.

Board Changes

The directors of City of London Group plc are listed in the City of London Group plc Annual Report and Financial Statements for the year ended 31 March 2013. Since then, John Greenhalgh died on 22 July 2013 as announced on 25 July 2013 and on 1 November 2013, Henry Lafferty stood down from the Board of City of London Group plc as a non-executive director and Chairman and Tony Brierley was appointed as acting Chairman. On 28 November 2013, Tony Brierley stood down as a non-executive director and acting Chairman and Eric Anstee stood down as a director and Chief Executive, when John Williams was appointed as Chairman and John Kent as acting Chief Executive.

A Notice of General Meeting was sent to shareholders on 15 November 2013 for a general meeting to be held on 2 December 2013 to amend the borrowing powers of the Company.

John Williams	John Kent
Chairman	Acting Chief Executive

This half-yearly report may contain certain statements about future outlook for COLG and its subsidiaries. Although the directors believe their expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes to be materially different. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking statements.

This half-yearly report has been drawn up and presented with the purpose of complying with English law. Any liability arising out of or in connection with the half-yearly report for the six months to 30 September 2013 will be determined in accordance with English law. The half-yearly results for 2013 and 2012 are unaudited.

29 November 2013

Unaudited interim results

Condensed consolidated income statement

	6 months to 30/09/13	6 months to 30/09/12 (restated)	Year to 31/03/13
	£'000	£'000	£'000
Gross value of goods and services invoiced	23,053	15,177	32,330
Revenue	3,291	2,275	5,133
Cost of sales	(1,374)	(958)	(1,367)
Gross profit	1,917	1,317	3,766
Administrative expenses			
Central loan – provision for bad debt	(459)	-	-
System development costs - provision	(207)	-	-
Other	(3,023)	(2,436)	(5,530)
	(3,689)	(2,436)	(5,530)
(Loss)/ profit on sale of 'available for sale' investments	(39)	950	1,391
Provision for impairment of investments	-	-	(275)
Net profit/ (loss) on legal cases	46	(43)	(83)
Share of profits of associates and joint ventures	112	22	24
Other operating income	85	47	233
Loss from operations	(1,568)	(143)	(474)
Financial expense	(435)	(309)	(1,090)
Loss before tax	(2,003)	(452)	(1,564)
Income tax expense	(24)	(158)	(215)
Loss for the period	(2,027)	(610)	(1,779)
Loss for the period attributable to:			
Equity holders of the parent	(1,809)	(300)	(1,551)
Non-controlling interest	(218)	(310)	(228)
	(2,027)	(610)	(1,779)
Earnings per share:			
Basic and diluted earnings per share	(9.15p)	(1.67p)	(8.23p)

Unaudited interim results

Condensed consolidated statement of comprehensive income

	6 months to 30/09/13	6 months to 30/09/12 (restated)	Year to 31/03/13
	£'000	**£'000**	**£'000**
Loss after tax	(2,027)	(610)	(1,779)
Other comprehensive income			
Items that may be reclassified subsequently to income statement:			
'Available for sale' financial assets:			
Valuation gains/ (losses) taken on equity investments	(154)	(377)	(501)
Provision for impairment transferred to income statement	-	-	129
Loss/ (profit) on sale transferred to income statement	67	(1,192)	(1,365)
Deferred tax provision	-	158	159
Total comprehensive expense	(2,114)	(2,021)	(3,357)
Total comprehensive expense attributable to:			
Owners of the parent	(1,896)	(1,711)	(3,129)
Non-controlling interest	(218)	(310)	(228)
	(2,114)	(2,021)	(3,357)

Unaudited interim results

Condensed consolidated balance sheet

	As at 30/09/13	As at 31/03/13	As at 30/09/12 (restated)
	£'000	£'000	£'000
Non-current assets			
Intangible assets	1,082	1,300	1,264
Property, plant and equipment	145	162	187
'Available-for-sale' financial assets	1,019	1,924	2,848
Interests in associates and joint ventures	117	5	59
Operating investments	70	18	
Investments in legal cases (see note 1.6)	11,179	6,872	3,534
Loans	4,204	2,648	1,587
Finance leases	971	1,233	1,540
Total non-current assets	18,787	14,162	11,019
Current assets			
Loans	3,350	3,946	3,253
Finance leases	1,161	1,094	978
Trade and other receivables	16,809	11,623	12,189
Cash and cash equivalents	7,987	6,265	3,613
Total current assets	29,307	22,928	20,033
Total assets	48,094	37,090	31,052
Current liabilities			
Borrowings	(17,176)	(11,114)	(6,000)
Trade and other payables	(21,673)	(13,513)	(8,437)
Total current liabilities	(38,849)	(24,627)	(14,437)
Non-current liabilities			
Borrowings	(2,056)	(3,179)	(5,897)
Total non-current liabilities	(2,056)	(3,179)	(5,897)
Total liabilities	(40,905)	(27,806)	(20,334)
Net assets	7,189	9,284	10,718
Equity			
Share capital	2,021	2,021	2,021
Share premium	11,466	11,466	11,531
Fair value reserve on investments	(172)	(85)	82
Retained earnings	(4,698)	(2,910)	(1,952)
Equity attributable to owners of the parent	8,617	10,492	11,682
Non-controlling interests	(1,428)	(1,208)	(964)
Total equity	7,189	9,284	10,718

Unaudited interim results

Condensed consolidated statement of changes in equity

	Attributable to owners of the parent company							
	Fair value reserve £'000	Derivative reserve £'000	Retained earnings £'000	Share premium £'000	Share capital £'000	Total £'000	Attributable to non-controlling interest £'000	Total equity £'000
At 31 March 2013	(85)	-	(2,910)	11,466	2,021	10,492	(1,208)	9,284
'Available for sale' investments								
-Valuation gains/(losses) taken to equity	(154)	-	-	-	-	(154)	-	(154)
-Transferred to provision for impairment	-	-	-	-	-	-	-	-
-Transferred to profit or loss on sale	67	-	-	-	-	67	-	67
-Deferred tax provision	-	-	-	-	-	-	-	-
Net income recognised directly in equity	(87)	-	-	-	-	(87)	-	(87)
Profit for the period	-		(1,809)	-	-	(1,809)	(218)	(2,027)
Total comprehensive income	(87)	-	(1,809)	-	-	(1,896)	(218)	(2,114)
Value of employee services	-	-	21	-	-	21	-	21
Arising on business combination	-	-	-	-	-	-	(2)	(2)
Dividend paid	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-
At 30 September 2013	(172)	-	(4,698)	11,466	2,021	8,617	(1,428)	7,189

Unaudited interim results

Condensed consolidated statement of changes in equity continued

	Attributable to owners of the parent company							
	Fair value reserve £'000	Derivative reserve £'000	Retained earnings £'000	Share premium £'000	Share capital £'000	Total £'000	Attributable to non-controlling interest £'000	Total Equity £'000
At 31 March 2012	1,493	(197)	(1,237)	10,424	1,837	12,320	(1,173)	11,147
'Available for sale' investments								
-Valuation gains/(losses) taken to equity	(377)	-	-	-	-	(377)	-	(377)
-Transferred to profit or loss on sale	(1,192)	-	-	-	-	(1,192)	-	(1,192)
-Deferred tax provision	158	-	-	-	-	158	-	158
Net income recognised directly in equity	(1,411)	-	-	-	-	(1,411)	-	(1,411)
Loss for the period	-		(300)			(300)	(310)	(610)
Total comprehensive income	(1,411)	-	(300)	-	-	(1,711)	(310)	(2,021)
Value of employee services	-	-	(19)	-	-	(19)	-	(19)
Arising on business combination	-	197	(345)	-	-	(148)	519	371
Dividend paid	-	-	(89)	-	-	(89)	-	(89)
Issue of shares	-	-	-	1,107	184	1,291		1,291
Sale of treasury shares	-	-	38	-	-	38	-	38
At 30 September 2012	82	-	(1,952)	11,531	2,021	11,682	(964)	10,718
'Available for sale' investments								
-Valuation gains/(losses) taken to equity	(124)	-	-	-	-	(124)	-	(124)
-Provision for impairment transferred to income statement	129					129		129
-Transferred to profit or loss on sale	(173)	-	-	-	-	(173)	-	(173)
-Deferred tax provision	1	-	-	-	-	1	-	1
Net income recognised directly in equity	(167)	-	-	-	-	(167)	-	(167)
Loss for the period	-		(1,251)			(1,251)	82	(1,169)
Total comprehensive income	(167)	-	(1,251)	-	-	(1,418)	82	(1,336)
Value of employee services	-	-	14	-	-	14	-	14
Arising on business combination			345			345	(326)	19
Dividend paid	-	-	(66)	-	-	(66)	-	(66)
Issue of shares	-	-	-	(65)	-	(65)		(65)
At 31 March 2013	(85)	-	(2,910)	11,466	2,021	10,492	(1,208)	9,284

Unaudited interim results

Condensed consolidated statement of cash flows

	6 months to 30/09/13	6 months to 30/09/12 (restated)	Year to 31/03/13
	£'000	£'000	£'000
Loss before taxation	(2,003)	(452)	(1,564)
Adjustments for:			
Effective interest rate charge	153	-	-
Depreciation and amortisation	78	52	134
System development costs - provision	207	-	-
Central loan - provision for bad debt	459	-	-
Share-based payments	21	(19)	(5)
Impairment of ‘available for sale’ assets	-	-	275
(Profit)/loss on disposal of investments	39	(950)	(1,391)
Net (profit)/loss on legal cases	(46)	43	83
Share of profit of associates and joint ventures	(112)	(22)	(24)
Interest payable	410	141	1,090
Changes in working capital			
Increase in trade and other receivables	(5,062)	(2,682)	(3,081)
Increase in trade and other payables	8,011	2,867	7,761
Purchase of non-current investments	(4,312)	(1,243)	(4,853)
Proceeds from sale of 'available-for-sale' investments	782	1,845	2,826
Leases advanced	(425)	(1,258)	(1,646)
Leases repaid	620	450	1,030
Loans advanced	(3,338)	(4,412)	(6,266)
Loans repaid	2,064	4,073	4,379
Cash used in operations	(2,454)	(1,567)	(1,252)
Income taxes	-	-	(6)
Net cash used in operating activities	(2,454)	(1,567)	(1,258)
Cash flow from investing activities			
Purchase of intangible assets	(23)	(44)	(88)
Purchase of property, plant and equipment	(30)	(107)	(133)
Disposal/acquisition of subsidiary companies	(6)	(85)	-
Net cash used in investing activities	(59)	(236)	(221)
Cash flow from financing activities			
Interest paid	(549)	(141)	(1,333)
Investment by non-controlling interest	-	263	189
Dividends paid to company's shareholders	-	(89)	(155)
Proceeds from issue of loans	21,978	6,376	15,247
Repayment of loans	(16,877)	(2,298)	(8,949)
Proceeds from issue of ordinary shares	-	-	1,226
Proceeds from issue of preference shares	-	-	5
Sale of shares by Employee Benefit Trust	-	-	38
Net cash from financing activities	4,552	4,111	6,268
Net increase/(decrease) in cash and cash equivalents	2,039	2,308	4,789
Cash and cash equivalents brought forward	5,915	1,126	1,126
Net cash and cash equivalents	7,954	3,434	5,915
Cash and cash equivalents	7,987	3,613	6,265
Bank overdraft	(33)	(179)	(350)
Net cash and cash equivalents	7,954	3,434	5,915

Notes to condensed financial statements

1 Basis of preparation

1.1 These interim financial results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2013 were approved by the directors on 24 June 2013 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement within the meaning of section 498 of the Companies Act 2006.

1.2 These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2013, which were prepared in accordance with IFRS as adopted by the European Union. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 March 2013. Where appropriate, the interim financial results for the 6 months to 30 September 2012 have been restated to conform to the changes in presentation that were made in the Company's published consolidated financial statements for the year ended 31 March 2013, as described below.

Restatement of figures for the 6 months ended 30 September 2012
Revenue relating to the trade finance business has been restated to be on a net basis to exclude the value of goods and services invoiced. Similarly, cost of sales has been restated to exclude goods purchased as an agent on behalf of clients. As a consequence, both revenue and cost of sales have decreased by £12,902,000.

Inventory of £69,000 held at 30 September 2012 has been reclassified to other debtors as it is now treated as being held on behalf of a client.

Loans and leases receivable, which were previously aggregated (within non-current or current assets, as appropriate) have been disaggregated and are now shown as separate line items in the balance sheet.

The consolidated cash flow for the 6 months ended 30 September 2012 has been restated and certain items which were previously classified as investing activity have been reclassified to operating: net cash used in operating activities increased by £514,000 with a corresponding decrease in net cash used in investing activities. The disaggregation of loans and leases has also been reflected in the consolidated cash flow statement.

None of the restatements had any impact on the profit or loss for the 6 months ended 30 September 2012 or on the net assets at that date.

Notes to condensed financial statements

Continued

1.3 Notes 31 and 32 to the annual financial statements to 31 March 2013 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk.

The Company has reported an operating loss for the period and the directors considered that the outlook presented significant challenges in terms of liquidity and have therefore put in place the new working capital facilities of £3.5m and a refinancing facility of £1.3m for existing loans to cover the liquidity requirements for the foreseeable future.

The Company is currently seeking approval to change the limitations on its borrowing powers so as to provide scope for future expansion of the Group. Shareholders should be aware that the new working capital facilities do not provide the expansion capital required and the Company needs to raise additional funds from alternative sources to fund expansion. This could entail investment from new or existing shareholders and/or the sale of existing assets and investments held by the Company. Whilst discussions are continuing regarding new equity capital of approximately £17m, in the absence of this expansion capital being available, the Board believes that the Company would need to restrict further investment in its existing platforms.

With the benefit of the new working capital facilities, the directors believe there is sufficient working capital available to the Group for the foreseeable future and therefore they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

1.4 Because the charge for taxation is for a period of less than one year, the provision is based on the best estimate of the effective rate for the full year.

1.5 The basic and diluted earnings per share is calculated by dividing the loss attributable to equity holders of the parent of £1,809,000 (2012: loss £300,000; 2012/13 full year: loss £1,551,000) by the weighted average number of ordinary shares in issue during the period (excluding those held in treasury and employee benefit trust) of 19,779,621 (2012: 17,943,192; 2012/13 full year: 18,839,000).

1.6 Investment in legal cases at 30 September 2013 includes £10,178,000 (2012 - £2,873,000) of investments funded by third parties who bear any losses and receive any profit (after accounting for performance fees receivable by the Group) made from the investments. The amounts invested by them are included in "Trade and other payables".

1.7 The directors have not declared an interim dividend for the year ended 31 March 2014. (2012/13: 0.33p per ordinary share). The directors did not recommend payment of a final dividend for the year ended 31 March 2013.

1.8 The interim report, including the financial information contained therein is the responsibility of, and was approved by, the directors on 29 November 2013. The Listing Rules require that accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing annual accounts except where any changes, and the reason for them, are disclosed. There have been no changes to the Group's accounting policies for the period ended 30 September 2013.

Notes to condensed financial statements

Continued

2 'Available for sale' financial assets

	As at 30/09/13 £000	As at 31/03/13 £000	As at 30/09/12 £000
Listed securities			
Equity securities – Australia	30	107	769
– US and Canada	8	21	44
– UK	653	914	1,195
Equity fund - UK	-	455	414
	691	1,497	2,422
Unlisted securities			
Equity securities traded on inactive markets	328	427	426
	1,019	**1,924**	**2,848**

Principal holdings at 30 September 2013

Holding	Security	Cost £'000	Value £'000
5,500,000	Tertiary Minerals plc	251	296
283,340	Hurricane Energy plc (unlisted)	120	283
19,500,000	Sunrise Resources plc	210	127
2,729,583	Netalogue Technologies plc	62	101
	Other	548	212
Total		1,191	1,019

Principal holdings at 31 March 2013

Holding	Security	Cost £'000	Value £'000
500,300	Munro UK Funds	500	455
6,000,000	Tertiary Minerals plc	275	405
283,340	Hurricane Energy plc (unlisted)	120	383
19,500,000	Sunrise Resources plc	210	117
300,000	AFC Energy plc	47	83
1,000,667	SIPA Resources International NL	44	55
2,729,583	Netalogue Technologies plc	62	62
	Other	541	364
Total		1,799	1,924

Notes to condensed financial statements

Continued

2 'Available for sale' financial assets (continued)

Principal holdings at 30 September 2012

Holding	Security	Cost £'000	Value £'000
20,055,480	FAR Ltd	279	452
500,000	Munro UK Funds	500	414
7,680,000	Tertiary Minerals plc	351	403
283,340	Hurricane Energy plc (unlisted)	120	383
19,500,000	Sunrise Resources plc	210	263
2,100,000	Target Energy Ltd	71	156
472,600	AFC Energy plc	74	121
2,729,583	Netalogue Technologies plc	62	62
	Other	1,098	594
Total		2,765	2,848

3 Administrative expenses

	6 months to 30/09/13 £'000	6 months to 30/09/12 (restated) £'000	Year to 31/03/13 £'000
Staff costs			
Payroll expenses	1,723	1,416	3,143
Payroll incentive award	22	61	14
Other staff costs	62	29	83
Establishment costs			
Property costs	166	75	246
Other	374	256	743
Auditor's remuneration	65	48	118
Legal fees	84	229	455
Consultancy fees	210	149	335
Other professional fees	227	213	373
Depreciation	45	24	78
Amortisation	33	28	56
System development costs – provision (a)	207	-	-
Central loan – provision for bad debt (b)	459	-	-
Foreign exchange loss / (gain)	12	(92)	(114)
	3,689	2,436	5,530

(a) Array Management Limited: full provision made due to the delay in finding an opportunity from which to derive future benefits from the model developed.

(b) Repayment was primarily expected to be made from the result of litigation on a specific case. The amounts owed are secured on intellectual property. The case has recently been awarded against the client and therefore recovery is dependent on the exploitation of the intellectual property. Full provision has been made until an adequate assessment of the plans relating to the intellectual property can be made.

Notes to condensed financial statements

Continued

4 Segmental reporting

The principal trading subsidiaries are considered to operate in business segments other than the principal activity of the parent company.

Pre-tax profit and loss Half-year to September 2013		**Revenue**	**Operating profit / (loss)**	**Financial expenses**	**Pre-tax profit/(loss)**
		£'000	**£'000**	**£'000**	**£'000**
COLG	Investment portfolio sales	-	(39)	-	(39)
	Investment in legal cases	-	44	-	44
	Intra-group	493	465	(77)	388
	Other	58	(1,756)	(21)	(1,777)
		551	(1,286)	(98)	(1,384)
Platforms					
	Litigation fund management	272	(164)	(63)	(227)
	Trade financing	2,271	360	(328)	32
	Lease and professions financing	669	105	(406)	(301)
	Legal client financing	126	202	(110)	92
	Other	-	(215)	-	(215)
	Inter company	(598)	(570)	570	-
		3,291	(1,568)	(435)	(2,003)

Notes to condensed financial statements

Continued

4 Segmental reporting continued

Pre-tax profit and loss Half-year to September 2012		**Revenue**	**Operating profit / (loss)**	**Financial expenses**	**Pre-tax profit/(loss)**
		£'000	**£'000**	**£'000**	**£'000**
COLG	Investment portfolio sales	-	950	-	950
	Investment in legal cases	-	(43)	-	(43)
	Intra-group	405	405	-	405
	Other	35	(1,048)	(61)	(1,109)
		440	264	(61)	203
Platforms					
	Litigation fund management	120	(316)	(35)	(351)
	Trade financing	1,508	103	(171)	(68)
	Lease and professions financing	444	82	(260)	(178)
	Legal client financing	99	121	(86)	35
	Other	69	(30)	(63)	(93)
	Inter company	(405)	(367)	367	-
		2,275	(143)	(309)	(452)

Net assets at 30/09/13

			Total
		£'000	**£'000**
COLG	"Available for sale" financial assets		1,019
	Investment in legal cases		756
Platforms			
	Litigation fund management	2,492	
	Trade financing	5,208	
	Lease and professions financing	2,430	
	Legal client financing	1,244	
	Other	220	
			11,594
	Other net liabilities		(2,347)
Net assets per entity balance sheet			11,022
Other net liabilities of subsidiary companies			(3,833)
Consolidated net assets			7,189

Notes to condensed financial statements

Continued

4 Segmental reporting continued

Net assets at 31/03/13

		£'000	Total £'000
COLG	"Available for sale" financial assets		1,924
	Investment in legal cases		694
Platforms			
	Litigation fund management	2,162	
	Trade financing	3,648	
	Lease and professions financing	2,400	
	Legal client financing	1,568	
	Other	249	
			10,027
	Other net assets		108
Net assets per entity balance sheet			12,753
Other net liabilities of subsidiary companies			(3,469)
Consolidated net assets			9,284

Net assets at 30/09/12

		£'000	Total £'000
COLG	Investment portfolio		2,848
	Investment in legal cases		759
Platforms			
	Litigation fund management	1,650	
	Trade financing	3,446	
	Lease financing	1,255	
	Professions financing	1,095	
	Legal case financing	1,324	
	Other	431	
			9,201
			12,808
	Amount due re share placing		1,291
	Other net liabilities		(345)
Net assets per entity balance sheet			13,754
Other net liabilities of subsidiary companies			(3,036)
Consolidated net assets			10,718

Notes to condensed financial statements

Continued

5 Related party transactions

	As at 30/09/13 £'000	As at 31/03/13 £'000	As at 30/09/12 £'000
The following amounts due from associates and joint ventures are included in:			
Non-current assets			
Loans	3,150	1,000	-
Current assets			
Loans	614	955	1,195
Trade and other receivables	181	143	98
	795	1,098	1,293

6 Capital commitments

	As at 30/09/13 £'000	As at 31/03/13 £'000	As at 30/09/12 £'000
Loans	2,478	4,182	-
Investment in legal cases	2,382	1,561	488
Trade finance	1,831	1,357	737
	6,691	7,100	1,225

7 Risks statement

The key risk factors faced by the Group are set out in financial statements to 31 March 2013 and are summarised below. The Board reviews and agrees policies for managing each of these risks.

Cashflow risk

In addition to the risks identified in the financial statements to 31 March 2013, the following information is relevant. The Company has renewed its bank overdraft facility at £0.5m through to 31 October 2014, secured on its UK listed investment portfolio. The actual facility size available is, however, restricted to half the value of the Company's UK listed investment portfolio. With the benefit of the agreed new working capital facilities, the Company has sufficient cash resources for the foreseeable future.

7 Risks statement continued

Credit risk

The Group is subject to credit risk of counterparties to which it has lent or to which it has cash on deposit. The risk is mitigated by upfront credit checks, asset security, guarantees and credit insurance. All cash deposits are made with major financial institutions and the directors are of the opinion that credit risk in relation to cash and cash equivalents is minimal. Maximum exposure to credit risk at 30 September 2013 was £32,948,000 (31 March 2013 - £26,143,000).

Price risk

The Group is subject to price risk on its 'available-for-sale' financial assets, in particular its investment share portfolio which is predominantly in the natural resource sector. The price risk in respect of investments in unlisted companies is managed by the Group having an overall investment portfolio which limits its exposure to unlisted investments. The value of the unlisted investments at 30 September 2013 was £328,000 (31 March 2013 - £427,000). The Group is mitigating the risk on the total portfolio by steadily unwinding it to invest in the new platforms.

Fair value estimation

The fair value of listed financial assets is established by reference to current bid market prices. The fair value of unlisted investments is estimated based on the most recent fund raising price, together with other relevant information. The fair value of investments in legal funds is based on cost or the opinion of legal counsel on the prospect of cases financed by the funds.

Legal and regulatory risks

The Company may fail to comply with its legal and regulatory obligations, which could have a material adverse effect on its business or lead to its shares being suspended from trading. External advisers are used to provide specialist advice and training is also provided for directors and senior management.

Interest rate risk

Investee companies are financed through third party borrowings which may lead to an increase in investment risk and exposure to interest rate fluctuations. This is mitigated where possible by passing this risk on to clients in the nature of trade of the underlying business. The use of managed accounts also mitigates this risk.

Litigation risk in funding legal cases

There can be no guarantee that legal cases will be successful or will pay the returns targeted by the Board. The risk is mitigated by a screening process, restricting investment levels in any one case to no more than £1m and insurance against costs awarded to the other side if the case is lost. With the asset management model the direct risk for the Company is primarily in relation to its remaining seed investments in legal cases of £756,000 at 30 September 2013 (31 March 2013 - £694,000). Indirectly, however, poor outcomes would likely restrict third party fund raising and therefore the development of the business.

Notes to condensed financial statements

Continued

7 Risks statement continued

Competition

The Company may become subject to increased competition in sourcing and making investments. This could lead to the Company finding it difficult to raise funds and find attractive investment opportunities. The mitigation is to remain focussed in niche and complex areas where the barriers to entry are higher. Our ability to demonstrate superior returns from investing in the platforms is our best mitigation.

Foreign exchange risk

The Group's earnings and liquidity are affected by fluctuations in currency exchange rates, principally in respect of 'available-for-sale' financial assets denominated in overseas currencies. This risk is mitigated by the gradual unwinding of the investment portfolio. The Group holds a limited amount of overseas currencies in bank accounts.

8 Statement by directors

The directors confirm that so far as they are aware:

- The condensed set of financial statements, which has been prepared in accordance with the applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole as required by Disclosure and Transparency Rule 4.2.4
- The interim management report includes a fair review of the information required to be included as required by Disclosure and Transparency Rules 4.2.7 and 4.2.8.
- These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2013, which were prepared in accordance with IFRS as adopted by the European Union. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 March 2013.

By order of the Board

H Goodbourn
Director
29 November 2013

Independent Review Report to City of London Group plc

Introduction

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2013 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement in changes of equity, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

BDO LLP
Chartered Accountants and Registered Auditors, London, United Kingdom
29 November 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).