City of London Group plc

Annual report and accounts 2015

City of London Group plc

Our results show a substantial improvement for the Group with advances in both the holding company and its investee companies. The Group is now streamlined and focused on SME funding following the sale of its litigation funding associate shortly after the year end. With the additional funding announced today we shall have the capital necessary to continue this improvement.

John Kent
Acting Chief Executive
16 July 2015

City of London Group plc ("COLG" or "the Company") is an investment company focused on providing finance to the SME sector, including professional service firms. It does this through investments in companies providing trade finance, lease finance and loan finance.

Highlights

Key developments

- Litigation funding associate, Therium sold in April 2015 for a profit of £1.5m
- Group now entirely focused on SME and professions funding
- Trade Finance Partners has more than doubled its revenue
- Credit Asset Management reports substantial improvement in its operating results
- Cost savings of 55% in central overheads achieved
- Credit Asset Management has completed a preference equity issue of £5m towards building a £20m own book portfolio
- Conditional equity fund raising of £3m to £6m to fuel further growth and intention to transfer to AIM announced separately

Financial results

- Loss before tax £1.6m after exceptional loss of £0.4m (2014: loss before tax £5.2m)
- Underlying loss before tax £1.2m* (2014: underlying loss before tax £4.2m*)
- NAV per share of the Company 42p (2014: 47p)
- Consolidated NAV per share attributable to shareholders 28p (2014: 34p)
- Profit on the sale of Therium of £1.5m will be reflected in 2016 results

* Underlying loss before tax excludes exceptional items.

Reports
Pages 2 to 9 comprise the Strategic report, pages 14 to 25 the Directors' Remuneration report and pages 26 to 29 the Directors' report, all of which are presented in accordance with English company law. The liabilities of directors in connection with these reports shall be subject to the limitations and restrictions provided by such law. These reports are intended to provide information to shareholders and are not designed to be relied upon by any other party or for any other purpose.

Disclaimer
This annual report and accounts may contain certain statements about the future outlook for City of London Group plc and its subsidiaries and associates. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Strategic report

1. Chief executive's statement

Overview

Our main objectives for the year have been to improve our financial performance, to address our lack of growth capital and to simplify the Group through the disposal of non-core activities. We have largely met these objectives, though some have taken longer than we anticipated.

Our financial performance improved from a loss before tax for the Group of £5.2m to a loss before tax of £1.6m (after including an exceptional loss of £0.4m). This reflected an improvement in the profitability of both our investee companies and also a 55% reduction in central overheads. We anticipate continued improvements in the year ahead.

We have addressed our lack of growth capital in two ways. First, we have completed the issue of £5m of 7% preference shares in Credit Asset Management Limited ("CAML") to COLG's principal creditor. This should enable CAML to seek £15m of senior debt with which to build a £20m portfolio of SME leases and loans. Secondly we have also announced a conditional equity placing to raise £3m - £6m for COLG and the Board's decision to seek the transfer of COLG to AIM. As mentioned in the announcement, the fund raising will bring in Cain Hoy Enterprises, LLC as a new investor. It will also provide COLG with funding to support growth in both Trade Finance Partners Limited ("TFPL") and CAML. A transfer to AIM will make future capital raisings both easier and cheaper.

We have also completed our search to find a new partner for Therium, our litigation funding associate. We announced the disposal of our investment in that business in April 2015 for a value of £3.4m and a profit at Group level of £1.5m. Taken together with the further reductions in our share portfolio, this leaves the Group more streamlined and with a strategy focused solely on SME funding which we believe remains an attractive segment of the market.

The improved performance of our investee companies during the year, combined with the strategic transactions we have announced since the year end, provide a promising outlook and a demonstrable underpinning of the Group's net asset position going forwards.

Trade Finance Partners Limited ("TFPL")

TFPL has had a very good year and has continued to grow strongly, reporting an increase in revenue of 143%. The business delivered an EBITDA before exceptionals of £1.0m for the year (compared with a £0.4m loss before exceptionals last year) and after shareholder loan interest and exceptional costs of £236k the result was a loss before tax of £251k. Over the year TFPL's facility with Macquarie Bank has increased from £18m to £30.5m and it now deploys in excess of £10m of subordinated and shareholder capital to support its trading. Following the departure of one of the founder directors after the year end and the consequential sale of his shares, both COLG and Macquarie increased their shareholdings to 48.9% (2014: 44%) and 37.5% (2014: 34%) respectively.

A significant part of the growth last year was derived from a number of larger structured trades and the strategy of the business for the current year is to broaden and diversify its product offering into three main areas of trade finance, namely 'flow trade' (standard lower risk trade finance products), 'floor plan' (vendor-backed supply chain finance) and structured trading (bespoke transactions, including commodities). A new co-CEO has recently joined the business and there are further plans to enhance the management and organisation of the business to support this next phase of growth. Discussions are under way with Macquarie on the optimum funding mix to support this growth.

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

CAML, the manager of the SME leases and loans business, also recorded an improved performance for the year. Yields continued to hold up well despite increasing competition and the business reported higher fee income from its managed account portfolio arising from higher average balances invested. A lower receivables impairment record for the whole portfolio resulted in a net recovery for the year although this benefit is unlikely to recur. These factors contributed to CAML reducing its operating loss before shareholder capital charges to £70k (2014: loss of £658k).

CAML has a strong management team and scalable systems but it is a capital intensive business and it needs access to reasonably priced capital. The results for the year were achieved against a relatively flat portfolio, with CAML's managed accounts showing a small increase in net investment to £12.4m (2014: £11.6m) and its own book remaining fairly flat at £3.8m (2014: £3.9m). The business now has the opportunity to grow its own book by £20m using a combination of the £5m proceeds from the preference share issue and debt from third parties. Own book business traditionally offers better margins than managed accounts and with an own book in excess of £20m CAML can expect to be profitable and also to be able to access cheaper wholesale funding.

As part of CAML's recapitalisation, COLG has converted its own preference shareholding in CAML into ordinary shares since the year end. We have also taken the opportunity to consolidate PFL, COLG's 100% owned professions funding business, into CAML which has been managing the PFL product platform for the last three years. As a consequence COLG's ordinary shareholding in CAML has increased from 51% to 85% since the year-end.

Other investments

The disposal of the natural resources investment portfolio has continued during the year and the portfolio had a valuation of £177k at the year-end (2014: £383k). As announced in April, COLG's remaining individual direct legal investment has been written off at a cost of £411k following a material adverse change in the merits of the case. COLG retains pooled legal investments of £232k in the Therium Litigation Funding LLP and LLP3 partnerships. These partnerships are spread over a range of cases and have performed well overall.

COLG

The results of the Company show a significant improvement from a loss before exceptionals of £2.0m in 2014 to a loss before exceptionals of £0.8m in 2015. This improvement has arisen mainly from year on year cost reductions of approximately 55%, including a 67% reduction in directors and staff costs and 50% reduction in professional costs. These cost savings have been partly offset by reduced income from Therium whilst the business was held for sale and increased finance charges from higher borrowings.

As mentioned in the last annual report the executive directors agreed to a 60% reduction in salaries and commensurate working days with effect from 1 July 2014. This arrangement continued through to the end of March 2015 but with the current plans to raise further funding for the Group the directors have temporarily returned to full time. It is envisaged that after the fund raising and transfer to AIM the executive directors will reduce their time commitment to one day per week to contain costs and reflecting the streamlined nature of the business.

COLG currently has two executive directors and two non-independent non-executive directors but no Chairman. The intention is to appoint an independent non-executive director and a Chairman on transferring to AIM.

Dividend

The Board does not recommend payment of a dividend.

Outlook

With Therium now sold and CAML restructured, the Group is much simpler and more streamlined with two investee companies focused on SME funding. The fund raising announced today and the new funding agreed for CAML provide a foundation for profitable growth over the next 18 months.

Strategic report continued

2. Description of business activities

The Company is a closed-ended investment company and is fully listed on the London Stock Exchange plc (LSE symbol CIN). The Company invests in companies in financial services which provide finance to the SME and professional services sectors where major national and foreign banks have limited new lending to these borrowers.

The Company's investee companies operate three product 'platforms' namely Trade Finance Partners Limited (TFPL) – a trade finance provider to the SME market, Credit Asset Management Limited (CAML) which provides asset backed finance to SMEs and Professions Funding Limited (PFL) which provides loans to professional practice firms. CAML management was responsible for operating the PFL product platform during the year but PFL has been acquired by CAML since the year-end as part of the restructuring referred to earlier.

3. Business model

The business model of the Group has evolved to reflect changing market conditions and in particular the availability of capital. The model is that the holding company, COLG, provides seed capital to new or early stage product 'platforms' using a combination of ordinary equity, preference equity, subordinated debt and working capital loans. The management teams in the platforms are incentivised with equity in those companies. The businesses raise external funds from a combination of bank and other debt and managed funds from third party investors which are invested in "real assets" in the form of loans, leases and trade finance to SMEs. These investments then generate asset class returns to the platforms or, in the case of managed funds, asset class returns to the third party investors and management fees to the platform companies.

COLG receives a return on its investments in the form of interest on the debt and dividends on the equity (when the businesses are more mature) as well as a return from the growth in value of the equity of the underlying platforms.

4. Strategy

The current strategy is to focus funding around enabling the Group's existing investee companies to deliver increased value. It is not planned to invest in any new platforms in the short term. The strategy is therefore to underpin the investments in these SME product platforms such that they are profitable, high growth and deploying funds in significant volumes. This will then allow consideration of cheaper wholesale funding options for each business.

5. Financial review

The table below shows a breakdown of the Group results:

	Loss before tax		Underlying loss before tax	
	2015 £000	2014 £000	2015 £000	2014 £000
Holding company	(1,169)	(2,822)	(758)	(1,980)
Trade finance	(107)	(1,073)	(107)	(1,073)
Lease and professions financing	(284)	(861)	(284)	(861)
Litigation financing	–	(305)	–	(305)
Other	(18)	(143)	(18)	64
	(1,578)	(5,204)	(1,167)	(4,155)

The underlying loss before tax excludes exceptional items.

The key performance indicators of each of the platforms are set out below in the platform reviews as appropriate but on a consolidated basis the key performance indicators for the Group are:

	31 March 2015	31 March 2014
Underlying loss before tax	£(1,167)k	£(4,155)k
Consolidated net assets per share (attributable to owners of the parent)	28p	34p

Holding company review

The key performance indicators for the holding company are underlying profit before tax and Company net assets per share as follows:

	31 March 2015	31 March 2014
Underlying loss before tax	£(758)k	£(1,980)k
Net assets per share	42p	47p

The principal driver of the improvement in the Company results is the substantial reduction in operating costs of 55% from £2,866k to £1,287k. This was partly offset by lower income from Therium (reduction of £82k) whilst it was held for sale during the year and also higher finance charges (increase of £151k) arising from higher levels of borrowing over the period.

The net assets per share have reduced as a result of the losses referred to above.

There was a small loss on the residual natural resources investment portfolio and the value of the portfolio at the year-end was £177k.

As announced on 7 April 2015, the exceptional loss of £411k relates to the loss on a direct investment in a legal case managed by Therium following a material adverse change in the merits of the case. The remaining investments in Therium LLP's total £232k and are performing well.

Strategic report continued

6. Platform reviews

Trade Finance Partners Limited ("TFPL")

(a) Description of the business and business model

TFPL is a specialist provider of traditional trade finance targeted predominantly but not exclusively at UK-based businesses with revenues in the range of £3m to £200m. TFPL has also undertaken a number of commodity trade finance transactions. It operates a trading model whereby it buys and sells goods, taking ownership of them and thus also taking on the inherent risk of owning those goods. It uses its own capital and the dedicated trade finance facilities provided by its banking partner, a division of the Macquarie group of companies which now owns 37.5% of TFPL.

TFPL's trading model is simple and efficient; it buys goods and owns them until such time as the end customer pays. The use of letters of credit to purchase goods and the use of credit insurance on the end customer plus various other insurance products ensures multiple layers of risk mitigation are in place. Ultimately ownership of the goods also ensures that in the event of a transaction failing TFPL can sell the goods and reduce its financial risk. Its income is derived from a margin on the goods sold and ancillary services associated with the opening of purchase commitments.

(b) Financial review

A summary of the financial performance of TFPL is set out in the table below:

	31 March 2015	31 March 2014
Revenue	8,406	3,454
Gross profit*	5,196	1,526
EBITDA*	1,026	(437)
Loss before tax*	(15)	(1,208)

* Stated before exceptionals of £0.2m restructuring costs in 2015 and £1.4m facility fee write-off and £0.2m restructuring costs in 2014.

The above figures include TFP Trading Company Ltd ("TFP Trading") with effect from December 2014 when it became a wholly-owned subsidiary of TFPL.

The growth in revenue of 143% principally reflects the volume growth in the value of goods and services bought and sold in the year of 137% (increasing from £44.3m to £105.4m) with the consolidation of TFP Trading adding some £0.2m to revenue for the year. Most of this growth was from organic growth in the number and size of transactions undertaken in the year although there were some individual large transactions which also made a significant contribution. The gross profit benefited from lower non-utilisation and other charges arising from improved usage and efficiency of the financing facility but there was an increase in the receivables impairment charge to £1.7m (2014 £0.1m). Administrative expenses increased to support the growth in the business.

The key performance indicator for TFPL is the loan drawings from the Macquarie facility which continued to exhibit considerable growth throughout the year. The amount drawn at the year-end was £28m (2014: £10.4m). The other key performance indicator is EBITDA which showed strong growth to £1.0m (2014: EBITDA loss £0.4m).

TFP Trading which was formerly 51% owned by COLG but managed by TFPL management and which was involved in trade finance in the alcohol industry was sold to TFPL for net asset value of c£10k during the year. The results of this activity are therefore treated as a discontinued activity in the consolidated accounts of COLG.

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

(a) Description of the business and business model

CAML is a business to business provider of lease finance to SME's. In addition it provides management services to two third-party funds and to PFL for the origination, underwriting, booking and portfolio management of leases to SME's and loans to professional businesses such as lawyers, accountants, doctors and dentists. CAML sources business for both disciplines through a national network of finance intermediaries. COLG owned 51% of CAML at the year-end and the results continue to be consolidated into COLG. Following the recent restructuring referred to earlier, COLG now owns 85% of CAML.

(b) Financial review

A summary of the financial performance of CAML and PFL is set out in the table below:

£000	31 March 2015	31 March 2014
Revenue	1,019	1,057
Operating loss before shareholder capital charges	(70)	(658)
Loss before tax	(334)	(922)

CAML's results show a reduced loss before tax of £0.3m (2014: loss £0.9m). The improved performance is due to a number of factors including an increase of £170k in the fees from the managed portfolios which have been at higher levels than the previous year and a £370k reduction in the charge for impairment of receivables together with an overhead cost reduction of £100k. The reduction in the bad debt impairment charge is partly a release of a provision which is no longer required (following a number of recoveries) and resulted in a net credit for the year of £56k. This impairment credit is not expected to be recurring.

The key performance indicators are book size and new business levels. The book size for the managed accounts increased from £11.6m to £12.4m (out of a total of £13.3m committed at 31 March 2015 but which reduces to £10m by July 2015) and the own book financed by block funders was largely unchanged at £3.8m (2014: £3.9m) although the average balance through the year was lower than the previous year which explains the slight reduction in revenue. New business volumes overall decreased from £24.6m to £19.2m due to capital constraints. £5m of preference equity has recently been injected into the business and this will be used to gear up to grow an "own book" portfolio of more than £20m which in turn should permit access to cheaper wholesale funding and/ or securitisation options.

Other

The results from Other have improved to a loss of £18k (2014: loss of £143k). The results include the profit from the regulated subsidiary, City of London Financial Services Ltd, offset by a receivable impairment provision. The 2014 loss included the write-off of system development costs of £207k.

7. Risk management

The principal risks of the Group are reviewed by the Board at least twice each year. A summary of the key risks are set out below together with their mitigation strategies.

Credit risk

Credit risk particularly arises in CAML and TFPL. This is mitigated in a number of different ways. For the leasing business the exposure is reduced by ownership of the asset which can usually be resold. In the case of professional loans, personal guarantees are obtained wherever possible but in any event the professional reputation of the partners of the firm is at stake. In the case of trade finance the assets are also owned and the extent to which assets are readily realisable is a key factor in the decision to fund a transaction. Where appropriate the assets are insured during transportation through a marine insurance policy and the credit risk of the ultimate customer is insured through an A rated insurer. In all cases there is a well-defined process for approval including credit committees with specific delegated powers.

Interest rate risk

Exposure to interest rate movements is minimised where borrowing and lending is relatively short term and matched as in the trade finance business. Any residual interest rate risk is passed on to the customer. Where lending is longer term as in professional lending or leasing then borrowing rates are fixed at the start to avoid interest rate exposure. Group borrowing is all at fixed rates.

Strategic report continued

Regulatory compliance

This risk arises in various ways but the risk of non-compliance with FCA regulations is considered low as there is very limited business performed that falls within this environment – only the activity of 'Operator' to Therium LLP funds and CAML limited partnerships which generates income of a few tens of thousands of pounds. Accordingly the regulated business (City of London Financial Services Limited) is ranked in the lowest risk category by the FCA. It should be noted however that the consumer credit regulation which regulates the leasing and loans business has recently been transferred under the FCA and interim permissions are in place. The risk is mitigated by the use of external specialist regulatory advisers. Advice on compliance with the listing, disclosure and transparency rules is sought from the Company's advisers.

Cash flow

There is a risk that the platforms do not develop as planned and require further working capital funding from COLG. Each platform has an annual budget including a budgeted funding requirement. There are some mitigations which the platforms can invoke to reduce the working capital including cost cutting and managing the portfolio growth. COLG has considerable headroom in its funding facilities to provide working capital and this will be increased further by the new equity.

Competition

There is a risk that the Group may become subject to increased competition in sourcing and making investments in the event that liquidity comes back into the SME market from the high street banks and other investors. This could lead to the platforms finding it difficult to invest at the planned yields. This risk is mitigated by the specialist expertise that can be provided by the trade finance business and by increased sales and marketing activity. In the case of the leasing and loans business the speed of credit decisions and the quality of operations is a key differentiator.

Business continuity

This is the risk that the business premises are unavailable due to fire or other disasters or of failure of IT systems. The consequential risk is the loss of key documentation and the inability to enter the business premises. This is mitigated by the ability of staff to work remotely from home and a disaster recovery plan. Key documents are held electronically and also separately with our lawyers. IT systems and data are backed up remotely and can be restored within acceptable timescales.

Governance

There is a significant risk, which in a number of respects has materialised, of non-compliance with the UK code on corporate governance. These issues are planned to be addressed as part of the proposed transfer to AIM by the appointment of a new independent non-executive director and the appointment of a Chairman.

People/succession

There is a risk that key management in the platforms are poached or leave the business which would compromise the business. As a mitigation the management are incentivised with equity and bonuses comparable with the market. The recent strengthening of senior management in TFPL also mitigates this risk.

8. Going concern

The directors have reviewed in detail the monthly cash flow forecast for the period to 30 September 2016. They have also considered the inherent uncertainties in market conditions and the potential impact of the risks on the financial position of the Group. An explanation of the key aspects for the Company and of each of the main investee companies is set out below.

COLG

As at the end of September 2016 there is forecast to be available working capital headroom of c£1.7m comprising cash and undrawn facilities. With the proposed new equity capital the headroom will be considerably higher. The debt facilities of the company currently comprise:

(i) £4.8m loan facility of which £3.4m was drawn at the end of May 2015. This facility has been extended to 30 September 2017 and it is assumed that it will be rolled or refinanced beyond that date; and

(ii) loan from City of London SME Leasing Ltd of £1.45m.

The key assumptions around the cash flow forecast include the disposal of the remaining share portfolio at a 20% discount to current prices and repayment of 80% of the remaining loans plus interest. The legal case investments held by the company of £232k are assumed to be repaid at book value during the year. Comments on the working capital requirement assumptions of the platforms are set out below:

TFPL

It is assumed that the further working capital and growth capital requirements in the period are met out of the proposed new equity capital. The forecast assumes TFPL pays interest to COLG on £2m of the subordinated debt from July 2015.

CAML/PFL

It is assumed that CAML/PFL receive the planned £20m funding in the period which should make the business profitable. Accordingly, it is assumed that COLG will not be required to provide any further working capital in the period.

Risk factors

The main risk factors around the cash flow forecast are as follows:

- The non-repayment of loans outstanding and the direct legal investments.
- The inability to dispose of the share portfolio at the assumed prices. A number of the shares are traded on illiquid markets and cannot be sold quickly without affecting the price. A discount of 20% has been assumed.
- CAML/PFL does not obtain the planned £15m of additional debt funding.
- If the equity capital raise does not proceed as planned then the growth of TFPL may be restricted (or funded by our partner so that our interest is diluted) and CAML's growth may be constrained.

Conclusion

After consideration of the above cash flow risk factors and the projected available surplus of c£1.7m in September 2016 together with possible mitigations, the directors are satisfied that the Company has and will maintain sufficient financial resources to enable it to continue operating for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and accounts.

9. Corporate responsibility

Environment

Given the nature of its activities, there is limited scope for the Group to have a major impact on environmental matters. However, the directors are mindful of their responsibilities in this regard and in particular are conscious of energy conservation and waste management. Energy consumption statistics for greenhouse gas emissions are shown in the Directors' report.

Health and Safety

The Group aims to provide and maintain a safe working environment for all its employees.

Directors and employees

The Company has four male directors and one other male employee. The Group has six male senior managers (who are directors of companies included in the consolidated accounts).

Information on social, community and human rights matters are not included as such information is not considered necessary for an understanding of the Company's development, performance or position.

10. Preparation of Strategic report

This Strategic report has been prepared to provide information to enable shareholders to assess the Group's strategy and the potential for that strategy to succeed. The Strategic report contains certain forward looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties underlying such forward looking statements.

Signed on behalf of the Board

John Kent

Acting Chief Executive

16 July 2015

Directors' biographies

John Kent – Acting Chief Executive

John Kent was appointed to the Board as Corporate Development Director in November 2009, becoming Deputy Chief Executive in February 2012 and Acting Chief Executive in November 2013. He is a corporate development specialist with a background in government, the City and industry and he has led strategy and corporate finance/development for three FTSE 100 Groups in the energy and financial services sectors. He has acted as corporate development consultant to companies such as Close Bros, Filtronic plc and Aga Rangemaster Group plc and is a former Chairman of Penta Capital Partners and Rockfield Energy, the private equity firms, and a former non-executive director of TTT Moneycorp, the foreign exchange business.

Howard Goodbourn – Finance Director

Howard Goodbourn was appointed to the Board as Group Finance Director in October 2011. He was previously Group Finance Director at Southern Water Services and Chairman of the Southern Water defined benefit pension scheme. Howard has a wealth of experience in managing finance functions having worked in senior finance and treasury roles for Eon UK, TXU, The Energy Group plc and Eastern Group plc. He has also worked in corporate finance for Deloitte and Charterhouse Bank Ltd and in corporate treasury. Howard is a Fellow of the ICAEW.

Andrew Crowe – Non-executive (non-independent)

Andrew was appointed to the Board in December 2013. He started his career with Coopers & Lybrand in 1995, moving into Transaction Services shortly after qualifying with the ICAEW in 1998. He spent the next seven years advising corporate and private equity clients on large and small transactions across diverse sectors. In 2005 he joined Meggitt plc as Group M&A Manager to support the Group's aggressive acquisition strategy, also successfully disposing of some non-core businesses. He moved into an operational finance role in 2008, as Finance Director in a number of business units in California and most recently as Divisional Finance Director for the Control Systems division. He left Meggitt in November 2013 to pursue other business interests.

Paul Milner – Non-executive (non-independent)

Paul was appointed to the Board in November 2013. Since July 2013 he has been chief executive of a privately owned group of property companies associated with the Company's principal creditor. Paul qualified as a solicitor in 1986 but has spent most of his career in the property, construction and private finance industries. In recent years he has played key roles in raising senior debt and equity finance for infrastructure projects. From 2005 to 2012 he worked in central government leading a commercial team tasked with delivery of infrastructure programmes and projects. From 2012 to June 2013 he was with UPP Group Ltd where he played a key role in the successful bond refinancing of a number of student accommodation projects.

Corporate governance statement

Introduction

The directors recognise the importance of sound corporate governance, while taking into account the Company's size and stage of development. The rules of the UK Listing Authority require listed companies to disclose how they have applied the main principles and complied with the provisions of the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council in September 2012. The Code can be found at www.frc.org.uk.

The Company remains in a transitional phase in relation to its business and so does not comply with the Code fully. This is mainly due to the reduced size of the Board of directors. Further details are given below. It is the Board's intention that as the Company's future direction becomes clearer, measures will be taken to improve compliance with the Code.

Application of main principles

The Company has applied the main principles of the Code as follows:

Leadership

The board is comprised of four directors, two executive and two non-independent non-executive directors. There is currently no Board Chairman. The chairing of Board meetings is rotated between all of the directors. John Kent is the Acting Chief Executive. The division of responsibilities between the Chairman and Chief Executive is set out in writing and has been approved by the Board. Therefore when a new Chairman is appointed the roles will be clearly defined. The Chairman is responsible for managing the Board and ensuring it functions effectively while the Chief Executive is responsible for running the business within the framework of authority determined by the Board. The other executive director is Howard Goodbourn (Finance Director). Andrew Crowe and Paul Milner are both non-independent non-executive directors. Therefore throughout the financial year to 31 March 2015 the Company has not complied with the Code provision that companies below the FTSE 350 should have at least two independent non-executive directors.

The directors have a duty to promote the success of the Company and to this end the Board has clearly defined responsibilities set out in a formal schedule of matters reserved to it which includes setting the Company's strategy; approving any major changes to the Group's structure or share capital; approving the annual report and accounts and shareholder communications; ensuring a sound system of internal controls and risk management; approving major contracts; determining the remuneration policy (on the recommendation of the remuneration committee and subject to shareholder approval); and making appointments to the Board and other offices. The Board has delegated certain functions to the audit and risk committee, remuneration committee and nominations committee. Terms of reference for these committees are available on the Company's website at www.cityoflondongroup.com.

Further details of the committees are given below.

Effectiveness

The directors

Biographical details of the directors are set out on page 10. The directors have a broad range of skills and experience. All directors receive updates on relevant legal and regulatory changes.

Board procedures

The Board meets each month. Prior to each meeting, comprehensive papers, which include regular business updates and management accounts, are prepared and issued. Discussion papers are issued in advance of the need for Board approval to allow sufficient time for considered debate and decision. All significant decisions are taken at Board level. Additional board meetings are convened between the scheduled meetings if required.

There is an agreed procedure for directors to take independent professional advice if necessary at the Company's expense. This is in addition to them having access to advice from the company secretary.

A register of directors' interests (including any actual or potential conflicts of interest) is maintained and reviewed regularly to ensure all details are kept up to date. Directors' declarations of interest is a regular Board agenda item. Authorisation is sought prior to a director taking on a new appointment or if any new conflicts or potential conflicts arise.

Performance evaluation

The Board evaluates its own performance and that of its committees and individual directors. An evaluation was carried out after the year end. No major issues of concern were identified.

All directors will retire and stand for re-election at the AGM. Details of the service contracts of the executive directors are provided in the Directors' Remuneration report. The non-executive directors have letters of appointment, which are not service contracts and which can be made available on request. The Board confirms that each of the directors to be proposed for re-election at the AGM continues to demonstrate the necessary commitment and to be a fully effective member of the Board.

Corporate governance statement continued

Audit and risk committee report

Composition and terms of reference

Andrew Crowe and Paul Milner are members of the committee. The committee is chaired by Andrew Crowe, who has recent and relevant financial experience.

Financial results

The committee reviews the full and half year financial results before they are considered by the Board for release to the market, including the going concern statement and the information to support it. The committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the financial statements and considered the following significant risks that it had identified with the auditors:

- Going concern, where there are risk factors around the cash flow forecasts and the Group has taken action to preserve liquidity and finance.
- Recognition of revenue (interest income), where there is a risk that revenue may be overstated. Testing confirmed income had been recognised in the correct accounting period.
- Impairment of carrying value in subsidiaries and associates, including equity and loans provided, which would reduce the net asset value of the Company and Group. The review of future projections and cash flow forecasts concluded that no provisions for impairment were required.

Executive management was challenged on how the above risks are addressed. These were also discussed with the auditors at the audit and risk committee.

Internal controls and risk management

During the year, the committee reviewed the effectiveness of the Group's internal control environment, including the procedures and controls within the business platforms, through discussions with the heads of those businesses.

The committee regularly discusses the risk register which is updated as necessary to reflect changing circumstances. The Board as a whole also considers risk on a regular basis, both in terms of overall risks facing the Group as well as specific risks relating to the individual businesses and proposed transactions.

External auditors

The committee considers the scope and findings of the external audit as well as the independence and objectivity of the external auditors. The committee has agreed the policy for the provision of non-audit services by the auditors. The committee does not regard the non-audit fees, compared to the audit fees, as being at a level that could influence the auditors' objectivity. The split between audit and non-audit fees for the year under review appears in note 6 on page 51.

The audit and risk committee normally meets with the external auditors without management being present, at least once a year at the time of the approval of the full year results.

Internal audit

The audit and risk committee, having reviewed the need for internal audit, agreed that it was not appropriate for a business of the Company's size to have an internal audit function. However, controls were in place that provided the necessary comfort to reach this decision. The issue will be revisited again in due course.

Board review of internal controls and risk management

The Board confirms that it has procedures in place implementing the FRC guidance on internal controls. It will be considering the updated guidance over the next few months. There is an ongoing process, which is kept under regular review by the Board, for identifying, evaluating and managing, rather than eliminating, the significant risks faced by the Group. The Board believes that the Group's system of internal controls outlined below, continues to be sufficient for the business.

The directors acknowledge their responsibility for the Group's system of internal and financial controls, including suitable monitoring procedures, in order to provide reasonable, but not absolute, assurance of the maintenance of proper accounting records and the reliability of the financial information used within the business. The Board has reviewed the effectiveness of the system of internal controls which operated during the period covered by this directors' report and accounts.

The key controls are:

- Clearly defined organisational responsibilities and limits of authority.
- Established procedures for authorisation of capital expenditure and investment of cash resources.
- Production of monthly management accounts which are compared to budget together with a review of detailed KPIs and explanation of key variances.
- COLG directors attend the monthly board meetings of the platforms and review their management accounts.
- Regular audit reports commissioned by third party lenders to CAML/TFPL and also commissioned by the principal lender to TFPL (Macquarie).
- Monthly bank and key control account reconciliations.
- Payment authorisation controls.

- The maintenance of a detailed risk register which includes analysis of all of the key risks facing the Group. This is reviewed by both the audit and risk committee and the full Board.

The respective responsibilities of the directors and the auditors in connection with the financial statements are explained on pages 73 to 76. The directors' statement on going concern is on page 9.

Remuneration committee

The role, composition and activities of the remuneration committee and details of how the Company applies the principles of the Code in respect of directors' remuneration are set out in the Directors' Remuneration report on pages 14 to 25.

No director is involved in discussions or decisions on their own remuneration. The remuneration committee, which determines the remuneration packages of the executive directors, is made up of Andrew Crowe and Paul Milner.

The remuneration of the non-executive directors is determined by the Board. Non-executive directors abstain from discussions or voting concerning their own remuneration. A statement of the Company's remuneration policy together with details of directors' remuneration appears in the Directors' Remuneration report. In the current transition, the committee is made up of the non-independent non-executive directors until such time as new independent non-executive directors are appointed to the Board.

Nominations committee

The nominations committee comprises the full Board. The committee considers matters such as Board and director effectiveness and succession planning. The committee did not meet during the year.

Attendance at meetings

Directors' attendance at Board and committee meetings during the year is summarised in the table below.

	Board		Audit & Risk committee		Remuneration committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
A Crowe	18	19	5	5	1	1
H Goodbourn	19	19	–	–	–	–
J Kent	19	19	–	–	–	–
P Milner	19	19	5	5	1	1

Relations with Shareholders

The annual report is sent to all shareholders and, on request, to other parties who have an interest in the Group's performance. The Company endeavours to send the notice of AGM and supporting papers to shareholders at least 20 working days before the meeting and responds promptly to any enquiries received from shareholders. All shareholders have the opportunity to put forward questions at the Company's AGM. Dialogue is maintained with major investors and their views are communicated to the Board.

Compliance with the Code provisions

Due to the fact that the Group is still in a transitional stage, there are some areas of non-compliance with the Code, as noted below. The Board will continue to keep these under review and expects them to be addressed as the future for the business becomes clearer.

There are currently no independent non-executive directors. There is no Chairman and no SID. The committees are made up of either all of the directors or the non-independent non-executive directors, as set out above.

L E Young

Company Secretary

16 July 2015

Directors' Remuneration report

Introduction

This report has been prepared in accordance with Schedule 8 (Quoted Companies: Directors' Remuneration Report) to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"). This is the second time the Company has prepared the report in accordance with the amended Regulations. The report is split into three main areas: the statement by the remuneration committee, the annual report on remuneration and the policy report.

The remuneration policy was put to a shareholder vote at the 2014 AGM with 99% of shareholder in favour and the policy took effect from 1 October 2014. The annual report on remuneration provides details on remuneration in the period and some other information required by the Regulations. The report will be subject to an advisory vote at the 2015 AGM.

The parts of this report that are subject to audit are indicated in this report. The statement by the remuneration committee and the policy report are not subject to audit.

Annual statement from the remuneration committee

The information in this part of the Directors' Remuneration report is not subject to audit.

City of London Group plc continues to be in a state of transition. Over this year, as in previous years, remuneration of directors continued to be tied closely to the overall performance of the Group. On behalf of the Board, I wish to assure shareholders that the Company will continue to follow its existing principles on remuneration. As shareholders have approved the remuneration policy for directors, it is the intention to maintain this until such time as it becomes appropriate to realign it with the focus of the business.

No bonus payments were made during the year and no awards vested under the deferred incentive plan.

Andrew Crowe

Chairman of remuneration committee
16 July 2015

Annual Report on Remuneration

Remuneration committee

The remuneration committee is responsible for developing the policy on remuneration for executive directors and senior management and for determining specific remuneration packages for each of the executive directors. The committee members during the year were Andrew Crowe (Committee Chairman) and Paul Milner. The remuneration committee is formally constituted with written terms of reference which set out its full remit. A copy of the terms of reference is available on the Company's website www.cityoflondongroup.com. The remuneration committee met once during the year.

The remuneration committee is only involved in setting pay for the executive directors and senior managers of the Company, however it is aware of pay and conditions for other staff in the Company and for the senior managers in the business platforms when making these decisions.

Responsibility for the remuneration policy of subsidiaries is devolved to the boards of those companies.

The committee did not use remuneration advisers during the year.

No awards were made to the executive directors under the deferred incentive plan during the year.

Remuneration policy overview

The remuneration committee has adopted a remuneration policy so that total levels of compensation encourage and reward high performance to ensure the Company meets its objectives. It is the opinion of the remuneration committee that shareholders' interests are best served by focusing a greater proportion of total remuneration on performance-related compensation.

Short and long-term incentives are structured so as to align directors' interests with those of shareholders by rewarding them for enhancing shareholder value, over a benchmark return for shareholders. It is the current intention of the Company to maintain its policy on directors' remuneration as approved by shareholders at the Annual General Meeting in 2014.

Base salary

The remuneration committee's policy for senior management is to set base salaries at lower quartile levels. Salaries are reviewed annually. When determining the salary of the executive directors, the remuneration committee takes into consideration the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity.

These factors are considered in parallel with the following:

- The management's long term incentive scheme
- The individual executive director's experience and responsibilities: and
- Pay and conditions throughout the Group

Annual performance-related bonus

An annual bonus plan was introduced during 2013. The plan allows for a maximum potential of 75% of base salary and performance criteria will be based on the delivery of financial and non-financial performance criteria including the growth of the platforms in terms of revenue, earnings and customers, development of the management team and succession planning. The plan did not operate during the year.

Deferred incentive plan

This plan was adopted in February 2010 and amendments to it were approved at the AGM in 2013. It is used to provide cash and equity incentives over ordinary shares of 10 pence each in the capital of the Company. This plan is available to the executive directors and certain senior employees to provide a remuneration package that over time best aligns the interests of executives with those of the Company's shareholders.

Allocations are made to participants in the incentive plan from a bonus pool. For awards made before 2013, the value of the bonus pool depended on a minimum annual growth in the Company's net asset value (NAV) or total shareholder return (TSR). The bonus pool in respect of each financial year is calculated as 20% of the higher of the NAV or TSR growth during this financial year, which exceeds 8% a year. Any bonus due from the pool is paid as one-third in cash immediately, one-third after 12 months and the final third after 24 months. The second and third payments are made in the form of shares and there is a clawback provision. These deferred payments are settled by an option over the equivalent number of ordinary shares held in an Employee Benefit Trust (EBT) granted following the full year results' announcement, based on the average of the closing share prices for the three consecutive dealing days immediately following the announcement.

Any deferred award will vest in two equal instalments. The first will be at the end of the first anniversary of the grant and the remainder on the second anniversary of the grant, provided that the remuneration committee is satisfied that the NAV or TSR of the Company achieved at the end of the financial period relevant to the bonus pool has been sustained over the following financial year(s) comprised in the calculation and that employment conditions are fulfilled to the date of vesting.

Directors' Remuneration report continued

For each of the financial years ended 31 March 2015 and 31 March 2014 there was no available bonus pool as neither TSR nor NAV grew by more than 8% per annum over the previous year.

Amended deferred incentive plan

Following the amendments to the plan which were approved at the 2013 AGM, the value of the bonus pool will be calculated by reference to the increase in TSR over the performance period, which has been increased from one year to three years for new awards. For the purpose of calculating TSR, the share price is averaged over the three months prior to the start and end of the performance period. The start of each performance period will be the start of a financial year. The pool value will be 20% of the value over and above a threshold return of the base lending rate plus 5% per annum.

Participants will be awarded a number of points which will give them an entitlement to a percentage of any bonus pool. That amount will then be converted into shares.

A new limit on the value of benefits that may be received by an individual under the plan has been introduced. This limits the total benefit to any individual under the plan during the plan life to 10 times average salary.

The committee may take such steps as it considers appropriate to reduce the number of points which are the subject of an award (to nil if appropriate) and/or impose further conditions on the award in certain circumstances such as a material misstatement of the Company's audited financial results; a serious failure of risk management by the Company, any Group member or a relevant business unit; or reputational damage to the Company, any Group member or a relevant business unit as a result of the participant's misconduct or otherwise.

In accordance with IFRS 2, the fair value of the share options awarded in respect of the deferred element of the original plan will be spread over the period to which the non-market performance conditions, being continued employment with the Company, apply.

The Company was advised by Norton Rose LLP on the design of the original incentive scheme and by Meis on the 2013 amendments.

Share option schemes

Fixed price options

Fixed price options have been awarded to executive directors and senior managers. Details of awards to directors are given in the table on page 18.

The information provided in the following part of the Directors' Remuneration report is subject to audit.

Single total figure of remuneration for each director

Directors' remuneration as a single figure for years ended 31 March 2014 and 2015.

Executive directors

					Former director	
	John Kent		Howard Goodbourn		Eric Anstee	
	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £
Salary	84,975	153,375	78,494	138,038	–	112,062
All taxable benefits	2,129	1,178	1,950	2,064	–	1,811
Pension	–	–	–	3,793	–	–
Total	87,104	154,553	80,444	143,895	–	113,873

Note: The amount shown for Eric Anstee for the year ending 31 March 2014 was the total received up to his leaving date of 28 November 2013.

Non-executive directors

	Year ended 31 March 2015 £	Year ended 31 March 2014 £
Current Directors		
Andrew Crowe	27,500	6,875
Paul Milner	27,500	9,167
Past directors		
Anthony Brierley	–	21,667
John Greenhalgh	–	7,490
Henry Lafferty	–	52,250
Nigel Sidebottom	–	20,625
John Williams	–	24,375

For each of the past directors, the remuneration in the 2014 column is shown up to the date their appointments ceased.

Deferred incentive scheme interests awarded during the financial year

Conditional equity – to vest in future years, subject to performance.

Performance awards are made to executive directors, with vesting after three years dependent upon performance during the period. The key measure for performance is Total Shareholder Return (TSR). If performance exceeds the threshold of 5% over the bank base rate, then 20% of that increase will be added to the bonus pool. Once the threshold performance is achieved then the vesting commences and increases based upon the increase in the value of total shareholder return delivered to shareholders.

Director	John Kent		Howard Goodbourn	
Performance period	2012 to 2015	2013 to 2016	2012 to 2015	2013 to 2016
Face value	38 points	38 points	25 points	25 points
% of award vesting for minimum performance	At minimum performance of an increase in the return to shareholders of 5% above base rate, because of the nature of the plan, there will be full vesting of the award but there will be no benefit. Only to the extent that the return exceeds the threshold will there be value created for participants which will be 20% of the excess which will then form the bonus pool for distribution to the participants.			
Length of vesting period	3 years	3 years	3 years	3 years

Notes:
As the annual and deferred incentive plan was amended and approved by shareholders at the AGM in 2013, no awards under the amended plan were made before that date.

Based on the current share price, these awards would not vest.

Payments to past directors

There were no payments made to past directors during the year other than the amounts payable to Eric Anstee following the termination of his contract with the Company. Provision for the total cost was made in the accounts for the year ended 31 March 2014. The total amount he received during the year was £113,300 (2014 – £56,650) together with taxable benefits of £2,087 (2014 – £974). In addition, in 2014, Eric Anstee received a payment of £30,000 as compensation for loss of office.

Directors' Remuneration report continued

Statement of directors' share interests

The directors' interests in the ordinary share capital of the Company are set out below. There is no requirement for the directors to hold shares in the Company.

	At 1 April 2014	At 31 March 2015	At 16 July 2015
A Crowe*	1,603,030	1,603,030	1,603,030
H Goodbourn	54,285	54,285	54,285
J Kent	233,275	261,775	261,775
P Milner	20,000	95,188	95,188

* A Crowe who is the executor of the estate of John Greenhalgh, which had interests in 1,636,575 shares at 1 April 2014, 31 March 2015 and 16 July 2015, also has a 10% beneficial interest in the shares held by the estate.

Shares held by EBT

426,996 shares were held by the Employee Benefit Trust at 31 March 2015 (2014: 426,996).

Share options

The directors' interests in fixed price share options are as follows:

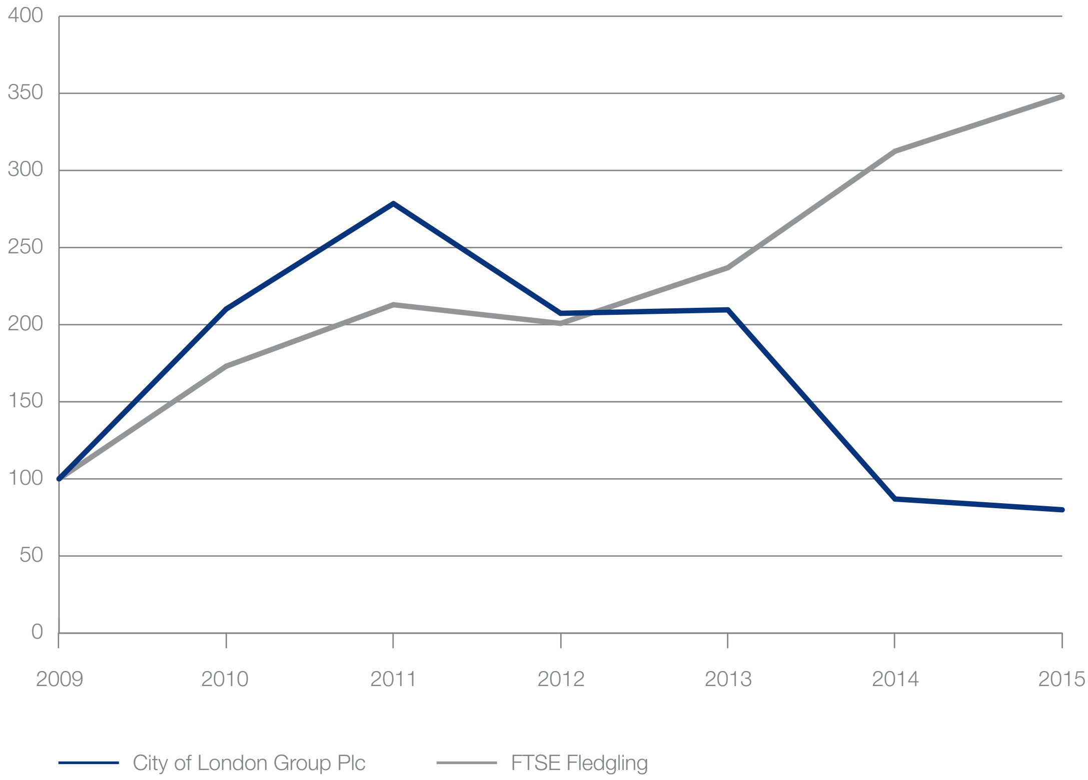
	Date of Grant	At 01/04/2014	Granted in year	Exercised in year	At 31/03/2015	Exercisable from	Exercisable to	Exercise price
H Goodbourn	30/11/2011	143,267	–	–	143,267	30/11/2014	30/11/2021	69.8p
J Kent	11/02/2010	70,000	–	–	70,000	11/11/2012	11/11/2019	55.8p

The market price of the Company's ordinary shares on 31 March 2015 was 25.75p (2014: 28.0p) and the average price for the year was 20.9p. During the year the highest price reached was 28.0p and the lowest was 17.25p.

Performance graph

The performance graph below shows the total shareholder return delivered by the Group over the six years ended 31 March 2015, in comparison to the total shareholder return delivered by the FTSE Fledgling Index. The Board selected the FTSE Fledgling Index to take into account both the size of the Group and the range of operating activities and investments over the period.

Total return graph 2009 to 2015 indexed to 100



History of CEO remuneration

Year to 31/03	CEO	Total remuneration (£)	Annual bonus payout against maximum opportunity %	Long term incentive vesting rates against maximum opportunity %
2015	John Kent	87,104	Nil	Nil
2014	John Kent (from 29/11/13)	51,826	Nil	Nil
	Eric Anstee (to 28/11/13)	113,873	Nil	Nil
2013	Eric Anstee	185,160	N/A	N/A
2012	Eric Anstee	146,335	N/A	N/A
2011	Eric Anstee	175,626	N/A	N/A
2010	Eric Anstee	125,098	N/A	N/A

In the years up to 2013 there was no annual bonus plan but an annual and deferred long term incentive plan.

It is not possible to provide a % vesting for the long term incentive plan because of the nature of that plan.

Directors' Remuneration report continued

Percentage change in remuneration of director undertaking the role of CEO

Comparing year ended 31 March 2015 to the year ended 31 March 2014	Salary	Benefits	Bonus
% Change in CEO remuneration	(42.0)%	0.0%	N/A
% Change in comparator group remuneration	3.0%	N/A	N/A

Benefits relate to health care cover.

Relative importance of spend on pay

Key expenditure areas	Year ended 31 March 2015 £	Year ended 31 March 2014 £	% change
Remuneration paid to all employees	1,067,000	3,551,000	(70.0)%
Distributions to shareholders (total)			
• Dividends	–	–	–
• Buybacks	–	–	–

Statement of implementation of remuneration policy in the current year

This is the second year of implementation of the regulations on approval of the directors' remuneration policy. The remuneration policy was approved by shareholders at the 2014 AGM. Details of the policy are set out below.

Statement of voting at general meeting

The shareholder vote from the 2014 AGM on the remuneration report is shown below.

Year	% vote for	% vote against	Votes withheld
2014	99.91	0.09	0

Service contracts

Details of executive directors' service contracts are shown below. The executive directors' service contracts are available for inspection at the Company's registered office during business hours.

Director	Date of contract	Unexpired term	Notice period	Compensation payable on early termination
H Goodbourn	October 2011	12 months rolling	6 months	contractual
J Kent	December 2010	12 months rolling	6 months	contractual

From 1 July 2014 the following provisions have been made, via deeds of variation, to amend the service contracts for both H Goodbourn and J Kent:

- From 1 July 2014 the hours of work decreased to 2 days per week in aggregate over any 4 week period with a corresponding salary reduction.
- The period from 1 July 2014 to 30 September 2014 was a fixed period of employment during which notice could not be given by either party. This did not prevent the Company from being able to exercise its right to terminate the employment of either director by summary notice in the circumstances specified in the service contract should that have been necessary.
- In connection with the plans to raise further funding for the Group, the directors temporarily returned to full-time working from 1 April 2015. It is envisaged that, after the fund raising and the transfer to AIM, the directors will reduce their time commitment to one day per week.

- With effect from 1 October 2014 the employment of both directors will continue unless and until terminated by the Company giving not less than two weeks' notice in writing ('Termination'). J Kent shall give one month's notice in writing and H Goodbourn shall give two weeks' notice in writing.
- In the event of Termination, the director is entitled to receive (i) a payment of £30,000 as compensation for loss of office ('ex-gratia payment') and (ii) a set payment, representing payment in lieu of outstanding notice that would have applied prior to the deeds of variation being signed and shall include payment in lieu of any entitlement to accrued but unused statutory notice.
- The ex-gratia payment is to be accepted by the director in full and final settlement of any rights they may have against the Company in respect of the termination of employment.

The non-executive directors have letters of appointment, details of which are shown below. These are also available for inspection at the Company's registered office during business hours.

Director	Date of letter of appointment	Unexpired term	Notice period	Compensation payable on early termination
A Crowe	December 2013	21 months	1 month	None
P Milner	December 2013	See note below	1 month	None

Paul Milner's appointment is expected to continue until the repayment of certain loans made to the Company.

Policy Report

The information provided in this part of the Directors' Remuneration report is not subject to audit.

It is intended to maintain the existing remuneration policy for the Company. In line with the Regulations, further information about the policy is set out in the following part of the report.

Remuneration Policy

The total remuneration for each executive director comprises:

Salary + Benefits + Annual Bonus + Long Term Incentives + Pension = Total Remuneration

The remuneration committee may, in specific circumstances, and in line with stated principles, apply clawback which it determines is appropriate.

Future Policy Table

The Company's remuneration policy from 1 October 2014 in respect of each of the above elements is outlined in the table below:

Salary	
Purpose and link to strategy	To recruit and retain staff with appropriate skills and experience.
Operation	Base salaries are set at lower quartile levels. Salaries are reviewed annually. When determining the salary of executive directors, the remuneration committee takes into consideration the levels of base salary for similar positions with comparable status, responsibility and skills.
Opportunity	There is no formal maximum limit, however increases will be broadly in line with average increases for the Group's workforce. There may be increases if the role were to change, or to reflect the individual's responsibilities and experience.
Performance measures	The overall performance of the individual is a key consideration when determining salary increases.

Directors' Remuneration report continued

Benefits	
Purpose and link to strategy	Levels are set to recruit and retain high calibre individuals to execute the business strategy.
Operation	Health insurance cover is provided.
Opportunity	Pension and benefits shall not exceed 10% of base pay, however, it is not anticipated that the current level of benefits will change in the foreseeable future.
Performance measures	N/A

Annual bonus	
Purpose and link to strategy	The purpose is to incentivise the executive directors to achieve the delivery of short term performance and goals.
Operation	Remuneration committee sets the targets for the year and judges whether they have been achieved.
Opportunity	The plan allows for a maximum potential of 75% of base salary.
Performance measures	Performance criteria are based on the delivery of financial and non-financial criteria including the growth of the platforms in terms of revenue, earnings and customers, development of the management team and succession planning.

Long term incentives	
Purpose and link to strategy	Long term incentives are available to executive directors and certain senior employees to provide a remuneration package that over time best aligns the interests of executives with those of the Company's shareholders.
Operation	Based on delivery of long term shareholder value, measured in relation to TSR improvement.
Opportunity	There is a threshold level set in the plan rules, and an award if this is exceeded. There is a maximum level of awards over the life of the plan of 10 times average salary.
Performance measures	Based on TSR.

Pension	
Purpose and link to strategy	Levels are set to recruit and retain high calibre individuals to execute the business strategy.
Operation	Contributions are made to the Company's pension plan.
Opportunity	It is not anticipated that these arrangements will change in the foreseeable future.
Performance measures	N/A

Clawback and Malus

The deferred incentive plan rules allow for the remuneration committee to determine in its absolute discretion if any events as stated in the rules (eg material misstatement of the Company's financial results, an error in determining the extent to which any performance condition has been satisfied, the discovery by the committee that the participant has engaged in misconduct), have occurred and if so whether all or any of the award will be reduced or cancelled or the performance conditions amended.
The committee, in its discretion, may apply a different treatment under this rule for different participants.

Approach to Recruitment Remuneration

The committee determines the remuneration package of new executive directors on a case by case basis, depending on the role and their experience. Total remuneration levels will be set by reference to a relevant pay comparator group and, where appropriate, will allow for future development in the role.

Executive directors

It is expected that new executive directors will participate in short and long term incentive plans on the same basis and subject to the same limits as indicated in the policy. Other benefits will be provided in line with the policy for existing executive directors. Pension arrangements will also be decided on a case by case basis but would not exceed 10% of base pay. The committee may make additional awards on appointing an executive director to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. Any such payments would be structured so as to reflect both the amount, timing and performance criteria (as far as practical) of the award from the former employer. Such buy-out awards will be made under the existing incentive arrangements as far as possible, although buyout awards may also be granted outside of the scheme and as permitted under the Listing Rules.

The remuneration arrangements for any newly appointed executive director will be disclosed as soon as practicable after the appointment.

Chairman

Fees will be set at a level based on the size and complexity of the Company.

Non-executive directors

Fee levels for new non-executive directors will be set on the same basis as for existing non-executive directors of the Company. In the event of a non-executive director with a different role and responsibilities being appointed, fee levels will be benchmarked and set by reference to comparable roles in companies of equivalent size and complexity.

Loss of office payment policy

Policy	
Duration of contracts	The contracts for each of the executive directors are normally set as a 12 month rolling contract. Details on existing contracts for executive directors are set out on page 20.
Notice period	Notice period on termination by the employing company or executive director is normally 6 calendar months.

Termination of employment

In the event that an executive director's employment with the Company terminates, the following policies and payments will apply.

Element of remuneration	Loss of office payment policy
Termination payment	The Company reserves the right in its absolute discretion to give executive directors pay in lieu of all or any part of the notice of termination (whether given by the Company or the executive director). A dismissal without notice shall not constitute or imply that this will automatically apply.
Benefits	Pay in lieu of notice will exclude any benefits for the relevant period of notice.
Annual bonus	The executive director shall not be entitled to receive a bonus if on the date the bonus is declared he is no longer employed, or is under notice.
Long term incentive plan	By participating in any share scheme an executive director waives all and any rights to compensation or damages in consequence of the termination of his office or employment with any Group Company for any reason whatsoever (whether lawful or unlawful); insofar as those rights arise or may arise from him losing, or failing to receive, any rights or benefits under the scheme or from the loss or diminution in value of such rights or benefits as a result of such termination.

Note on termination by mutual agreement: In certain circumstances it can be in the best interests of the Company for the Board to manage succession planning proactively. In such circumstances, the Board may therefore agree that an executive's departure will be by mutual agreement.

Directors' Remuneration report continued

The committee does not anticipate the exercise of discretion provided by the deferred incentive plan rules in respect of termination payments. However, there may be unforeseen circumstances where this is in the best interests of the Company and its shareholders. Where it is necessary to exercise discretion, explanations will be provided.

Where an executive director leaves the Company, the committee will carry out an assessment of the individual's performance and conduct over their time in the role. If it is determined that the individual's performance or conduct was contrary to the legitimate expectations of the Company, the committee reserves the right to apply appropriate mechanisms such as clawback or reduction or lapsing of outstanding incentive awards ('malus') to ensure that any termination payments are in the best interests of the Company and its shareholders.

Service contracts

Details of current service contracts and letters of appointment for non-executive directors are set out in the report on remuneration on pages 20 and 21.

Differences between remuneration policy for executive directors and other employees

When setting remuneration levels for the executive directors, the committee considers the prevailing market conditions, the competitive environment (through comparison with the remuneration of executives at companies of similar size and complexity) and the positioning of pay across the broader Company workforce.

The remuneration offered to executive directors under this policy has a stronger emphasis on performance related pay than that offered to other employees in the Group.

Non-executive directors

Element	Purpose and link to strategy	Overview
Chairman's fee	To provide an inclusive flat rate fee that is appropriate for the size and complexity of the Company.	There is no formal maximum, fees are reviewed annually and set by reference to a review of the Chairman's performance and independently sourced market data. The remuneration committee is responsible for evaluating and making recommendations to the Board on the fees payable to the Chairman. The Chairman does not participate in discussions in respect of his fees.
Basic fee		There is no formal maximum, however, fees are reviewed annually and set by reference to independently sourced market data. The Chairman and CEO are responsible for evaluating and making recommendations to the Board on the fees payable to the Company's non-executive directors.
Supplemental Fees	To provide additional compensation for non-executive directors (excluding the Chairman) taking on additional Board responsibilities.	There are currently no additional fees payable for chairing committees.
Letter of Appointment	Non-executive directors' and the Chairman's terms of engagement are set out in letters of appointment and details are given on page 21.	Non-executive directors will be subject to annual election or re election and will normally serve no longer than nine years from the date of first election by shareholders at a general meeting. The Chairman will be subject to annual appointment by shareholders and may serve longer than nine years from the date of first election by shareholders at general meeting.

Statement of consideration of shareholder views

Prior to the 2013 AGM when formulating changes to the annual and long term incentive plan there were a series of discussions held with investors and the Chairman of the remuneration committee in order to communicate the proposed amendments and to seek feedback on them. The amendments to the plan were approved by over 99% of shareholders.

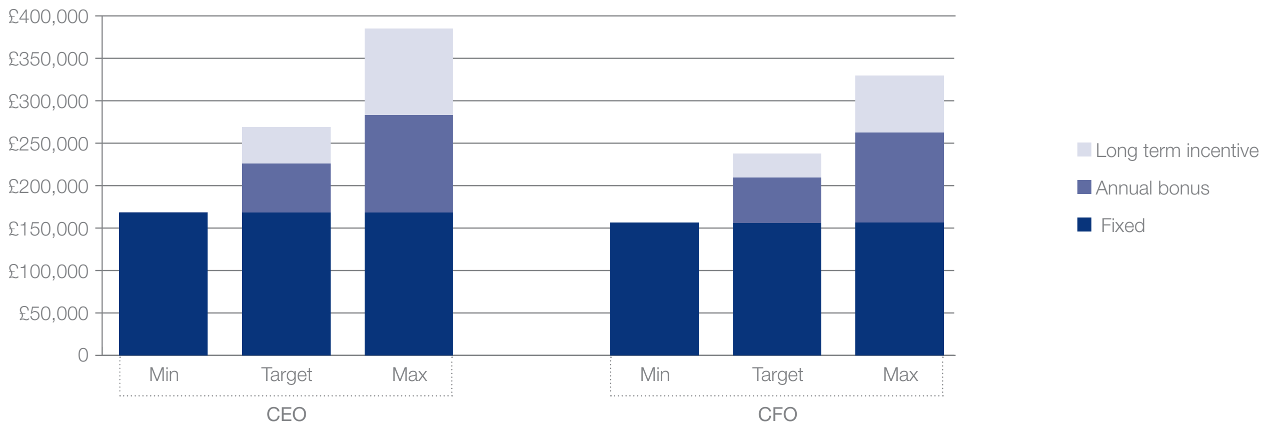
The Board and remuneration committee remain committed to engaging with investors on matters of remuneration.

Scenarios for future total remuneration

The charts below provide illustrations of the future total remuneration for each of the executive directors in respect of the remuneration opportunity granted to each of them in 2014 under the policy. A range of potential outcomes is provided for each executive director and the underlying assumptions are set out below.

All scenarios:

- Base salary of £153,000 has been used for the CEO and £142,000 for the CFO.
- Benefits and pension figures are assumed as 10% of base pay, being the maximum under the policy.
- Annual bonus is assumed to be 0% at the minimum, 37.5% of base pay for target performance and 75% of base for maximum performance.
- Long term incentive is based on the assumption that at minimum there is no value, for on target performance there is annual growth in TSR of 10% and at the maximum growth of 15%.



The graphs have been produced on the full-time equivalent remuneration figures for the executive directors.

The Directors' Remuneration report has been approved by the Board of Directors and signed on its behalf by

Andrew Crowe
Chairman of remuneration committee
16 July 2015

Directors' report

This is the Directors' report for the year to 31 March 2015.

Results and dividends

The results for the Group are set out on page 30. No dividends were declared during the year (2014: nil).

Events since the year end

Post balance sheet events are set out in Note 33.

Future developments in the business

Information on future developments is included in the Strategic report.

Financial risk

Financial risk management objectives and policies and relevant risk disclosures are set out in Note 32.

Investment policy

The Company is an investment company for the purposes of chapter 15 of the Listing Rules. Since 2009 the focus has been on establishing specialist businesses targeting the professional services and SME sectors. The Board believes there are particular opportunities in these sectors.

As the directors believe that, on occasion, it may be more cost effective to raise debt funding at holding company level, even though the use of the debt funding may be targeted at particular platforms or asset categories, the Company's investment policy has been changed to increase the borrowing limit to 100% of total gross assets.

Directors and their interests

Details of directors who served during the year are as follows:

A Crowe
H Goodbourn
J Kent
P Milner

Biographical details of the current directors are given on page 10.

Directors' interests in the shares of the Company are shown in the Directors' Remuneration report on page 18.

Share capital

There were no changes to the issued share capital of the Company during the year. The issued share capital of the Company at the beginning and end of the financial year was 20,206,617 ordinary shares of 10p each.

At the AGM on 24 September 2014, the directors were authorised to repurchase up to 2,020,600 ordinary shares in the Company (representing approximately 10% of the Company's issued ordinary share capital as at 21 July 2014) until the Company's AGM in 2015 or 30 September 2015, if earlier. This authority was not exercised in the year.

Major interests in ordinary shares

Notifications of the following interests in the Company's ordinary share capital carrying voting rights have been received by the Company under the FCA's Disclosure and Transparency Rules:

	Number of ordinary shares at 31 March 2015	%	Number of ordinary shares at 16 July 2015	%
Helium Special Situations Fund	2,446,428	12.11	2,446,428	12.11
John Greenhalgh's estate*	1,636,575	8.10	1,636,575	8.10
A Crowe	1,603,030	7.93	1,603,030	7.93
AXA IM UK	1,506,024	7.45	1,506,024	7.45
The BL & RB Foundation	1,325,000	6.56	1,325,000	6.56
Jupiter Asset Management	1,204,819	5.96	1,204,819	5.96
Henderson Global Investors	1,003,614	4.97	1,003,614	4.97

*Andrew Crowe is the executor of John Greenhalgh's estate and has a 10% beneficial interest in the shares held by the estate.

Takeover Directive disclosure

The following disclosure is required under Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, introduced by the Takeover Directive.

Rights and restrictions attaching to shares

A summary of the rights and restrictions attaching to shares as at 31 March 2015 is set out below. Holders of ordinary shares have the rights given to them under the articles of association of the Company and under the laws of England and Wales. Any share may be issued with or have attached to it such rights and restrictions as determined by ordinary resolution of the Company, or failing such resolution as the Board may decide.

The directors have the power to allot and issue new shares, subject to the provisions of the statutes and the Company's articles.

Voting

Holders of ordinary shares are entitled to attend, speak and vote at general meetings of the Company and to appoint proxies and, in the case of corporate shareholders, appoint corporate representatives to attend, speak and vote at such meetings on their behalf. On a poll, holders of ordinary shares are entitled to one vote for each share held. Holders of ordinary shares are entitled to receive the Company's annual report and accounts, to receive such dividends and other distributions as may lawfully be paid or declared on such shares and, on any liquidation of the Company, to share in the surplus assets of the Company after satisfaction of the entitlements of the holders of any other shares with preferred rights which may then be in issue.

To attend and vote at a general meeting a shareholder must be entered on the register of members at such time (not being earlier than 48 hours (which may exclude any part of a day which is not a working day) before the meeting) as stated in the notice of general meeting. There are no shares carrying special rights with regard to control of the Company. There are no restrictions placed on voting rights of fully paid shares, save where in accordance with article 13.1 of the Company's articles of association a notice has been served by the Company in respect of shares for failure to comply with statutory notices or where a transfer notice (as described below) has been served in respect of shares and has not yet been complied with.

Directors' report continued

Restrictions on share transfers

There are no restrictions on the transfer of fully paid shares in the Company, save as follows. The directors may, in their absolute discretion, decline to register a transfer of shares which are not fully paid or over which the Company has a lien. The Board may also refuse to register any transfer which is not in respect of only one class of share; which is to more than four joint holders; which is not accompanied by the certificate for the shares to which it relates and such other evidence which the Board may reasonably require to show the right of the transferor to make the transfer; which is lodged at a place other than that which the Board has determined; which is not duly stamped in circumstances where a duly stamped instrument is required; or where in accordance with section 794 of the Companies Act 2006 a notice (under section 793 of that Act) has been served by the Company on a shareholder who has then failed to give the information required within the specified time. In the latter circumstances the Company may make the relevant shares subject to certain restrictions (including in respect of the ability to exercise voting rights, to transfer the shares validly and, except in the case of a liquidation, to receive the payment of sums due from the Company).

Shares may not be transferred to a minor; a bankrupt or (in certain circumstances) a person who is or may be suffering from mental disorder.

The Company is not aware of any agreements between holders of its securities that may restrict the transfer of shares or exercise of voting rights.

Appointment and re-election of directors

In accordance with best practice under the UK corporate governance code, non-executive directors are normally appointed for an initial period of three years. Before the third and sixth anniversaries of a non-executive director's first appointment, the Chairman and the nomination committee will consider, with the director, whether it is appropriate for them to remain in office for a further three year term. All directors offer themselves for re-election at each annual general meeting.

The Company's articles of association provide that:

(a) the minimum number of directors (other than alternate directors) is two and there is no maximum number (unless otherwise determined by the Company by ordinary resolution);

(b) Directors may be appointed by ordinary resolution of the Company's shareholders in general meeting or by the Board;

(c) Directors due to retire by rotation at an AGM may offer themselves for re-election by shareholders.

Any director who has been appointed by the Board since the preceding AGM is required to retire and be reappointed by the members. In addition, each year any director who has not been appointed or reappointed at one of the two preceding AGMs is required to retire by rotation and offer themselves for re-election.

(d) Directors may resign from office. Shareholders have the power to remove any director by ordinary resolution of which special notice has been given under section 312 of the Companies Act 2006. The office of director may also be vacated if the director becomes bankrupt or is prohibited by law from being a director; or is disqualified from acting as a director; or where the director is suffering from mental ill-health; or (if the Board so resolves) being absent from Board meetings for six consecutive months without the Board's permission; or if they are requested to resign by notice in writing from all of the other directors; or they are convicted of an indictable offence and the directors resolve that it is undesirable that they remain a director of the Company; or they are in breach of their contract of employment or engagement and it is terminated.

The Board's recommendation for the reappointment of directors is set out in the 2015 Notice of AGM.

Amendment of articles

The amendment of the Company's articles of association is governed by relevant statutes. The articles may be amended by special resolution of the shareholders in general meeting.

Agreements

The long term incentive plan would crystallise on change of control. Further details of the plan are set out in the Directors' Remuneration report.

Global greenhouse gas emissions data

Emissions from:	2015 Tonnes of CO_2e	2014 Tonnes of CO_2e
Combustion of fuel & operation of facilities	–	–
Electricity, heat, steam and cooling purchased for own use	11.07	21.37
Total emissions	11.07	21.37
Company's chosen intensity measurement:		
Emissions reported above normalised to per FTE employee (Tonnes of CO_2e/FTE)	0.74	0.52
Emissions reported above normalised to per square metre of gross internal area of our facilities (Tonnes of CO_2e/m2)	0.03	0.03
Emissions reported above normalised to per £million of revenues (Tonnes of CO_2e/£m revenue)	4.70	3.72

Directors' indemnities and insurance

The Group has directors' and officers' liability insurance in place.

Statement of directors' responsibilities

A statement of directors' responsibilities is set out on page 73 of this annual report and is incorporated into the Directors' report by reference.

Financial instruments

Details of the financial instruments to which the Group is a party are included in note 31 to the financial statements.

Audit information

In accordance with section 418 Companies Act 2006, each of the directors confirms that:

(i) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and

(ii) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

Auditors

BDO LLP have indicated their willingness to continue in office and a resolution proposing their reappointment as auditors will be put to members at this year's AGM.

Annual General Meeting

The 2015 annual general meeting will be held in September. The notice of meeting and proxy forms will be sent to shareholders in due course.

By order of the Board

L E Young

Company Secretary

16 July 2015

Consolidated income statement

for the year ended 31 March 2015

		31 March 2015 £'000		31 March 2014 £'000 (restated)	
	Note	Continuing operations	Discontinued operations*	Continuing operations	Discontinued operations*
Revenue	4	1,769	585	1,788	3,877
Cost of sales	4	(64)	(571)	(64)	(1,870)
Gross profit		1,705	14	1,724	2,007
Administrative expenses	6				
Exceptional administrative expenses		–	–	(1,049)	–
Other		(2,159)	(11)	(4,105)	(2,451)
		(2,159)	(11)	(5,154)	(2,451)
Loss on sale of investments	7	(39)	–	(105)	–
Provision for impairment of investments	7	(99)	–	(101)	–
Loss on legal case investments	7	(411)	–	(15)	–
Profit on loss of control of discontinued operations	17	–	–	–	1,791
Share of profits and losses of associates	17	(27)	–	50	(222)
Other income	8	316	–	106	219
(Loss)/profit from operations		(714)	3	(3,495)	1,344
Finance expense	10	(867)	–	(445)	(2,608)
(Loss)/profit before tax		(1,581)	3	(3,940)	(1,264)
Corporation tax	11	–	–	–	49
(Loss)/profit after tax		(1,581)	3	(3,940)	(1,215)
Profit/(loss) after tax from discontinued operations		3		(1,215)	
Loss for the year		(1,578)		(5,155)	
Loss for the year attributable to:					
Owners of the parent		(1,418)	2	(3,336)	(91)
Non-controlling interests		(163)	1	(604)	(1,124)
		(1,581)	3	(3,940)	(1,215)
		3		(1,215)	
Loss for the year		(1,578)		(5,155)	
Basic and diluted earnings per share attributable to owners of the parent:					
Continuing operations	13	(7.17)p		(16.87)p	
Discontinued operations	13	0.01p		(0.46)p	
Total	13	(7.16)p		(17.33)p	

* Discontinued operations in 2015 comprise the consolidated results of TFP Trading Company Limited ("TFP Trading") up to 31 December 2014 when the shares owned by the Company were sold to TFPL. Discontinued operations in 2014 comprise the consolidated results of TFPL up to 19 March 2014 when that subsidiary became an associate, TFP Trading and the results of Therium, which is now classified as "held for sale" (see note 17).

Consolidated statement of comprehensive income

for the year ended 31 March 2015

	31 March 2015 £'000	31 March 2014 £'000 (restated)
Loss for the year from continuing operations	(1,581)	(3,940)
Profit/(loss) for the year from discontinued operations	3	(1,215)
Total loss for the year	(1,578)	(5,155)
Other comprehensive income/(expense) from continuing operations		
Items that will or may be reclassified to profit or loss		
'Available-for-sale' financial assets		
– Valuation losses taken on equity investments	(57)	(308)
– Provision for impairment transferred to income statement	90	85
– Loss on sale transferred to income statement	55	115
Other comprehensive income/(expense) from continuing operations	88	(108)
Total other comprehensive income/(expense)	88	(108)
Total comprehensive income/(expense) from continuing operations	(1,493)	(4,048)
Total comprehensive income/(expense) from discontinued operations	3	(1,215)
Total comprehensive income/(expense)	(1,490)	(5,263)
Total comprehensive income/(expense) attributable to:		
Owners of the parent	(1,328)	(3,535)
Non-controlling interests	(162)	(1,728)
	(1,490)	(5,263)

Consolidated statement of changes in equity

	Attributable to owners of the parent company					Attributable to non-controlling interests	Total equity
	Fair value reserve £'000	Accumulated losses £'000	Share premium £'000	Share capital £'000	Total £'000	£'000	£'000
At 31 March 2013	(85)	(2,910)	11,466	2,021	10,492	(202)	10,290
'Available-for-sale' investments							
– Valuation gains/(losses) taken to equity	(308)	–	–	–	(308)	–	(308)
– Provision for impairment transferred to income statement	85	–	–	–	85	–	85
– Profit on sale transferred to income statement	115	–	–	–	115	–	115
Net income recognised directly in equity	(108)	–	–	–	(108)	–	(108)
Loss for the year –continuing operations (as restated)	–	(3,336)	–	–	(3,336)	(604)	(3,940)
Loss for the year – discontinued operations (as restated)	–	(91)	–	–	(91)	(1,124)	(1,215)
Total comprehensive income	(108)	(3,427)	–	–	(3,535)	(1,728)	(5,263)
Value of employee services	–	40	–	–	40	–	40
Acquisition of non-controlling interest	–	(215)	–	–	(215)	149	(66)
Transfer on loss of control of discontinued operations (note 26)	–	–	–	–	–	795	795
Adjustment to share issue costs	–	–	31	–	31	–	31
At 31 March 2014	(193)	(6,512)	11,497	2,021	6,813	(986)	5,827
'Available-for-sale' investments							
– Valuation gains/(losses) taken to equity	(57)	–	–	–	(57)	–	(57)
– Provision for impairment transferred to income statement	90	–	–	–	90	–	90
– Profit on sale transferred to income statement	55	–	–	–	55	–	55
Net income recognised directly in equity	88	–	–	–	88	–	88
Loss for the year – continuing operations	–	(1,418)	–	–	(1,418)	(163)	(1,581)
Profit for the year – discontinued operations	–	2	–	–	2	1	3
Total comprehensive income	88	(1,416)	–	–	(1,328)	(162)	(1,490)
Value of employee services	–	40	–	–	40	–	40
Transfer on sale of subsidiary (note 26)	–	–	–	–-	–	(6)	(6)
At 31 March 2015	(105)	(7,888)	11,497	2,021	5,525	(1,154)	4,371

(i) The fair value reserve shows the movement in the fair value of the 'available-for-sale' financial assets.

Company statement of changes in equity

	Fair value reserve £'000	Accumulated losses £'000	Share premium £'000	Share capital £'000	Total £'000
At 31 March 2013	(85)	(649)	11,466	2,021	12,753
'Available-for-sale' investments					
– Valuation gains/(losses) taken to equity	(308)	–	–	–	(308)
– Transferred to provision for impairment	85	–	–	–	85
– Transferred to profit or loss on sale	115	–	–	–	115
Net income recognised directly in equity	(108)	–	–	–	(108)
Loss for the year	–	(3,413)	–	–	(3,413)
Total income and expense for the year	(108)	(3,413)	–	–	(3,521)
Value of employee services	–	40	–	–	40
Adjustment to share issue costs	–	–	31	–	31
At 31 March 2014	(193)	(4,022)	11,497	2,021	9,303
'Available-for-sale' investments					
– Valuation gains/(losses) taken to equity	(57)	–	–	–	(57)
– Transferred to provision for impairment	90	–	–	–	90
– Transferred to profit or loss on sale	55	–	–	–	55
Net income recognised directly in equity	88	–	–	–	88
Loss for the year	–	(1,169)	–	–	(1,169)
Total income and expense for the year	88	(1,169)	–	–	(1,081)
Value of employee services	–	40	–	–	40
At 31 March 2015	(105)	(5,151)	11,497	2,021	8,262

Consolidated balance sheet
as at 31 March 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000
Assets			
Non-current assets			
Intangible assets	14	46	48
Property, plant and equipment	15	40	100
'Available-for-sale' financial assets	16	177	383
Interests in associates	17	890	1,127
Legal case investments	18	232	672
Loans	19	10,613	10,147
Finance leases	19	970	832
Total non-current assets		12,968	13,309
Current assets			
Loans	19	1,656	2,134
Finance leases	19	676	1,031
Trade and other receivables	20	903	2,025
Cash and cash equivalents	21	1,221	3,783
		4,456	8,973
Assets classified as held for sale	17	1,831	–
Total current assets		6,287	8,973
Total assets		19,255	22,282
Current liabilities			
Borrowings	22	(1,688)	(2,274)
Trade and other payables	22	(1,737)	(5,112)
Total current liabilities		(3,425)	(7,386)
Non-current liabilities			
Borrowings	23	(11,459)	(9,069)
Total non-current liabilities		(11,459)	(9,069)
Total liabilities		(14,884)	(16,455)
Net assets		4,371	5,827
Equity			
Share capital	25	2,021	2,021
Share premium		11,497	11,497
Accumulated losses		(7,888)	(6,512)
Fair value reserve		(105)	(193)
Equity attributable to owners of the parent		5,525	6,813
Non-controlling interests	26	(1,154)	(986)
Total equity		4,371	5,827

The notes on pages 39 to 72 are an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 16 July 2015.

They were signed on its behalf by

H Goodbourn
Director

Company balance sheet
as at 31 March 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	38	97
'Available-for-sale' financial assets	16	177	383
Investment in subsidiary companies	17	3,117	3,119
Interests in associates	17	–	1,767
Legal case investments	18	232	672
Loans	19	100	1,010
Total non-current assets		3,664	7,048
Current assets			
Loans	19	160	222
Trade and other receivables	20	7,375	7,502
Cash and cash equivalents	21	190	441
		7,725	8,165
Assets classified as held for sale	17	3,388	–
Total current assets		11,113	8,165
Total assets		14,777	15,213
Current liabilities			
Borrowings	22	–	(825)
Trade and other payables	22	(2,171)	(2,835)
Total current liabilities		(2,171)	(3,660)
Non-current liabilities			
Borrowings	23	(4,344)	(2,250)
Total non-current liabilities		(4,344)	(2,250)
Total liabilities		(6,515)	(5,910)
Net assets		8,262	9,303
Equity			
Share capital	25	2,021	2,021
Share premium		11,497	11,497
Accumulated losses		(5,151)	(4,022)
Fair value reserve		(105)	(193)
Total equity		8,262	9,303

The notes on pages 39 to 72 are an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 16 July 2015.

They were signed on its behalf by

H Goodbourn
Director

Consolidated statement of cash flows

for the year ended 31 March 2015

	31 March 2015 £'000	31 March 2014 £'000
Cash flows from operating activities		
Loss before tax	(1,578)	(5,204)
Adjustments for:		
Depreciation and amortisation	69	374
Share-based payments	40	40
Impairment of 'available-for-sale' financial assets	99	101
Loss on disposal of 'available-for-sale' financial assets	48	105
Profit on loss of control of discontinued operations	–	(1,791)
Profit on disposal of subsidiary	(9)	–
Loss on legal case investments	411	15
Loss on disposal of fixed assets	1	–
Share of profits and losses of associates	27	172
Provision for central loan	–	325
Interest payable	867	3,053
Changes in working capital:		
(Increase) in trade and other receivables	(1,090)	(7,922)
(Decrease)/ increase in trade and other payables	(1,458)	7,431
Purchase of non-current investments	(14)	(35)
Proceeds from sale of 'available-for-sale' financial assets	188	1,269
Leases advanced	(1,127)	(827)
Leases repaid	1,344	1,291
Loans advanced	(2,514)	(2,073)
Loans advanced to related parties	(1,558)	(5,246)
Loans repaid	2,619	4,057
Loans repaid by related parties	285	606
Cash used in operations	(3,350)	(4,259)
Corporation tax	–	–
Net cash used in operating activities	(3,350)	(4,259)

	31 March 2015 £'000	31 March 2014 £'000
Cash flow from investing activities		
Purchase of intangible assets	–	(27)
Purchase of property, plant and equipment	(8)	(37)
Loss of control of subsidiary	(310)	(2,510)
Acquisition of non-controlling interest in subsidiary	–	(66)
Net cash used in investing activities	(318)	(2,640)
Cash flow from financing activities		
Interest paid	(698)	(2,915)
Loans drawn down	5,307	13,918
Repayment of loans	(3,503)	(4,408)
Net cash from financing activities	1,106	6,595
Net decrease in cash and cash equivalents	(2,562)	(304)
Cash and cash equivalents brought forward	3,783	4,087
Net cash and cash equivalents	1,221	3,783
Cash and cash equivalents	1,221	3,783
Bank overdraft	–	–
Net cash and cash equivalents	1,221	3,783
Operating, investing and financing activities are categorised as follows:		
Net cash used in operating activities		
Continuing operations	(3,398)	3,824
Discontinued operations	48	(8,083)
	(3,350)	(4,259)
Net cash used in investing activities		
Continuing operations	(8)	(103)
Discontinued operations	(310)	(2,537)
	(318)	(2,640)
Net cash from financing activities		
Continuing operations	1,106	1,238
Discontinued operations	–	5,357
	1,106	6,595

Company statement of cash flows
for the year ended 31 March 2015

	31 March 2015 £'000	31 March 2014 £'000
Cash flows from operating activities		
Loss before tax	(1,169)	(3,413)
Adjustments for:		
Depreciation	64	81
Share based payments	40	40
Impairment of 'available-for-sale' financial assets	99	101
Loss on disposal of 'available-for-sale' financial assets	48	105
Profit on disposal of subsidiary	(8)	–
Loss on legal case investments	411	15
Loss on disposal of fixed assets	1	–
Provision for losses in subsidiaries	–	345
Provision for central loan	–	325
Provision for amounts owed by related parties	16	248
Interest payable	398	247
Changes in working capital:		
Increase in trade and other receivables	(735)	(1,025)
(Decrease)/ increase in trade and other payables	(317)	201
Purchase of non-current investments	(14)	(35)
Proceeds from sale of 'available-for-sale' investments	188	1,269
Loans advanced	–	(110)
Loans advanced to related parties	(270)	(5,319)
Loans repaid by related parties	472	3,148
Net cash used in operating activities	(776)	(3,777)
Cash flow from investing activities		
Purchase of property, plant and equipment	(6)	(35)
Disposal of subsidiary	10	47
Acquisition of minority interest in subsidiary	–	(66)
Net cash generated from/(used in) investing activities	4	(54)
Cash flow from financing activities		
Interest paid	(198)	(167)
Loans drawn down	2,094	5,350
Loans and notes repaid	(1,375)	(592)
Net cash from financing activities	521	4,591
Net (decrease)/increase in cash and cash equivalents	(251)	760
Cash and cash equivalents brought forward	441	(319)
Net cash and cash equivalents	190	441
Cash and cash equivalents	190	441
Bank overdraft	–	–
Net cash and cash equivalents	190	441

Notes to the financial statements

1 General information

City of London Group plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is 30 Cannon Street, London, EC4M 6XH. The Company is listed on the London Stock Exchange.

City of London Group plc is a closed-ended investment company with a number of investments in the financial services sector and a portfolio of 'available-for-sale' investments. Details of the activities of the Group are given in the Strategic report.

These consolidated and separate financial statements have been approved for issue by the Board of directors on 16 July 2015.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated and separate financial statements of City of London Group plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of 'available-for-sale' financial assets (including legal case investments). These financial assets and instruments are carried at fair value except where it is not possible to determine a reliable fair value in which case they are carried at cost.

These consolidated and separate financial statements have been prepared in accordance with and in compliance with the Companies Act 2006. The Company has taken advantage of section 408 of the Companies Act 2006, and the Statement of Income and the Statement of Comprehensive Income of the parent company is not presented. The parent company's loss after tax for the financial year amounts to £1,169,000 (2014: loss £3,413,000).

The directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. The Group's going concern position is further discussed in the Strategic report on pages 8 and 9.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective. The standards are effective for annual periods beginning on or after 1 July 2015 unless otherwise stated, with early adoption permitted in all cases.

IFRS 8 – (Annual improvements) – Operating Segments

IFRS 9 – Financial Instruments – The standard is effective for accounting periods beginning on or after 1 January 2018.

IFRS 10 – (Amendments) – Sale or Contribution of Assets – effective for accounting periods beginning on or after 1 January 2016.

IFRS 13 – (Annual improvements) – Fair Value Measurement

IFRS 15 – Revenue – The standard is effective for accounting periods beginning on or after 1 January 2017.

The Group will assess the impact of IFRS 9 on these financial statements in subsequent years. It considers that the other annual improvements, amendments and revised standards will not have a material impact on the disclosures and presentation of information in the financial statements.

2.2 Adoption of new standards and interpretations

The following amendments to existing standards became effective for the first time in these financial statements:

IAS 36 (Amendments) – Recoverable amounts disclosures for non-financial assets; and

IAS 32 (Amendments) – Offsetting Financial Assets and Financial Liabilities

Neither has a material effect on the disclosures or presentation of information in the financial statements.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

2.3 Presentation changes

(a) Discontinued operations

As described in Note 17, in December 2014 the Company sold its 51% equity investment in TFP Trading Company Limited ("TFP Trading") to its associate Trade Finance Partners Limited ("TFPL") for £9,947. At that date TFP Trading ceased to be a subsidiary of the Group and became an associate, as it is now wholly owned by TFPL. Under IFRS 5 TFP Trading is required to be classified as a "discontinued operation" in the consolidated financial statements. The results of TFP Trading for both the current year (up to the date when it ceased to be a subsidiary) and the preceding year have been classified as discontinued operations and are shown separately in the consolidated income statement.

(b) Restatement of prior period figures

In addition to the sale of the Company's 51% equity investment in TFP Trading in December 2014, the Company decided to dispose of its interest in Therium, its litigation fund manager, during the year. The Group's interest in Therium, including loans and receivables, was classified as an asset held for sale with effect from 13 June 2014 and, in accordance with the requirements of IFRS 5, the Group's interest is presented separately in the balance sheet from that date. In addition the Group's share of the results of Therium and its associate, Novitas, for the year to 31 March 2014 (loss of £222,000) are included within "discontinued operations". The table below shows changes in the individual figures in the consolidated income statement for the year ended 31 March 2014 as a result of the restatements for both the above. There were no changes in balance sheet figures. The restatement does not change the amount of the loss attributed to the owners of the parent company previously reported nor the equity attributed to the owners of the parent company at 31 March 2014. Accordingly, there is no change in the basic or diluted earnings per share previously reported.

Consolidated income statement		31 March 2014 £000 As reported	31 March 2014 £000 As restated	£000 Change
Revenue	Continuing operations	2,757	1,788	(969)
	Discontinued operations	2,908	3,877	969
Cost of sales	Continuing operations	(984)	(64)	920
	Discontinued operations	(950)	(1,870)	(920)
Gross profit	Continuing operations	1,773	1,724	(49)
	Discontinued operations	1,958	2,007	49
Administrative expenses	Continuing operations	(5,191)	(5,154)	37
	Discontinued operations	(2,414)	(2,451)	(37)
Share of profits and losses of associates	Continuing operations	(172)	50	222
	Discontinued operations	–	(222)	(222)
(Loss)/profit from operations	Continuing operations	(3,705)	(3,495)	210
	Discontinued operations	1,554	1,344	(210)
(Loss)/profit before tax	Continuing operations	(4,150)	(3,940)	210
	Discontinued operations	(1,054)	(1,264)	(210)
(Loss)/profit after tax	Continuing operations	(4,150)	(3,940)	210
	Discontinued operations	(1,005)	(1,215)	(210)

2.4 Consolidation

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Group considers all relevant facts and circumstances, including the size of the Group's voting rights relative to both the size and dispersion of other parties who hold voting rights, substantive potential voting rights held by the Group and by other parties, other contractual arrangements and historic patterns in voting attendance.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. In accordance with IAS 27, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets on a transaction by transaction basis.

2.5 Associates

An associate is an entity over which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results of associates are incorporated in these financial statements using the equity method of accounting. The Group's share of profits and losses in associates is included within the Group's profits/ (losses) from operations as investments in associates are made as part of the Company's activities as an investment company. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the book values of the identified net assets of the associate at the date of acquisition is recognised as goodwill.

Where the Group ceases to control a subsidiary but retains an investment in that company, it recognises the investment retained at its fair value as at the date on which it ceases to control that company. Where the former subsidiary is now an associate, the fair value is deemed to be the cost on initial recognition of the investment in the associate. Any excess of the fair value over the book values of the identified net assets of the associate is credited to the consolidated income statement. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.6 Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related expenses are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interests in the fair value of the net identifiable assets, liabilities and contingent liabilities recognised.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportional share of the acquiree's net assets. The Group treats transactions with the non-controlling interest as transactions with equity owners of the Group. For purchases from non-controlling interests the difference between the consideration paid and the relevant share of net assets acquired is recorded in equity.

2.7 Intangible assets

Goodwill arising on consolidation represents the excess of the cost at acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually or more frequently when there is an indication it may be impaired. For the purposes of assessing impairment, goodwill is allocated to the cash-generating units expected to benefit from the synergies of the combination. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

2.7 Intangible assets continued

Other intangible assets are stated at historical cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost less the estimated residual value of intangible assets by equal annual instalments over their estimated useful economic lives as follows:

Systems development	3 years straight-line

The amortisation is charged to administrative expenses in the profit and loss account. The other intangible assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal annual instalments over their estimated useful economic lives as follows:

Fixtures, fittings & equipment	3 years straight-line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.9 Non-financial assets

(a) Impairment of non-financial assets

The carrying value of the non-current assets is reviewed on an on-going basis to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of property, plant and equipment is the greater of its fair value less costs to sell and value in use. The recoverable amount of goodwill is its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(b) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale. Discontinued operations are presented separately in the income statement.

2.10 Financial assets

The Group and the Company classify financial assets in the following categories: loans receivable, trade and other receivables, leases receivable, 'available-for-sale' financial assets and legal case investments. The classification depends on the purpose for which the financial assets were acquired.

(a) Loans, trade and other receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

Loans and trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and trade and other receivables is established when there is objective evidence that the Group or Company will not be able to collect all amounts due according to the original terms of the loan or receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency on payments are considered indicators that the loan or trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'administrative expenses'.

(b) Finance leases receivable

Where the Group leases out equipment and there is a transfer of substantially all of the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease and the net investment is included in interest-bearing leases receivable. In accordance with IAS 17, costs which are incremental to the initiation of new business (Initial Direct Costs or "IDC") are capitalised and amortised over the expected life of the leases to which they relate. The IDC is included in lease receivables. The capitalisation of IDC relates to expenses which are incremental and directly attributable to negotiating and arranging a lease or loan. The IDC amortisation is netted off against interest income and similar income in the income statement.

(c) 'Available-for-sale' financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories specified by IAS 39 Financial Instruments: Recognition and Measurement.

Purchases and sales of investments are recognised on the trade date – the date on which the Group or Company commits to purchase or sell the asset. Investments are initially recognised at fair value, including directly attributable transaction costs. 'Available-for-sale' financial assets are subsequently carried at fair value and gains and losses arising from changes in fair value are recognised directly in other comprehensive income. They are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group or Company has transferred substantially all risks and rewards of ownership.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'profit/ loss on sale of investments' and 'provision for impairment of investments' respectively. Interest accrued on available-for-sale securities carrying a fixed interest rate is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group and Company's right to receive payments is established.

The fair values of quoted investments are based on closing bid prices prevailing at the balance sheet date. If the market for a financial asset is not active (and for unlisted securities), the Group and Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed in the income statement unless the underlying instrument is derecognised.

(d) Investment in subsidiaries – separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes directly attributable costs of investment.

(e) Investment in associates – separate financial statements

Investments in associates are accounted for at cost less impairment. Cost also includes directly attributable costs of investment. Where an associate was formerly a subsidiary, the fair value determined at the date of losing control is regarded as the cost on initial recognition of the investment in the associate.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

2.10 Financial assets continued

(f) Legal case investments

Seed funding is made into funds which are used to fund legal cases. Initial recognition of an investment is made when payment to the fund is made. The investments are subsequently carried at fair value and gains and losses arising from changes in fair value of each fund are recognised in other comprehensive income. De-recognition occurs when funds are returned and any profits or losses are taken to the profit and loss account at this time.

The principal assumptions used when assessing the fair value are as follows:

- best estimate of duration of each claim; and
- best estimate of anticipated outcome.

The value will be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants may take into account when entering into a transaction. Valuation adjustments are recorded to allow for factors relating to each case. Management believes the valuation adjustments are necessary and appropriate to fairly state financial instruments at fair value in the balance sheet. It is management's further belief that the techniques employed when estimating the fair value of an investment in each claim should incorporate irrevocable evidence as to the success of the claim as a fundamental input. Should this input not be available then it is expected that the fair value will equate to the amounts funded given the fundamental uncertainty as to the case outcome.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with maturity of three months or less from the date of inception. Bank overdrafts are included in borrowings under current liabilities.

2.12 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual obligations entered into.

An equity instrument is any contract which evidences a residual interest in the assets of the Group after deducting all of its liabilities.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

When the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable issue costs, is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. When such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Company's owners.

2.14 Dividends

Dividends declared on the Company's equity share capital are recognised as a liability when an irrevocable obligation to pay the dividends is established. In the case of interim dividends this arises when the dividend is paid. In the case of final dividends this is the date at which the dividends are approved at a shareholders' general meeting.

2.15 Preference shares

Preference shares held by non-controlling interests in subsidiary companies are included as borrowings in non-current liabilities. The dividends on these preference shares are recognised in the income statement as an interest expense.

2.16 Trade payables

Liabilities are recognised as trade payables when an invoice is received. Expenses incurred for which an invoice has not yet been received are included in accruals. Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.18 Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

2.19 Revenue

Revenue comprises dividend and interest income and investment management fees, arrangement fees, and trade finance fees. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on an accruals basis using the effective interest rate method. Management fees and arrangement fees are recognised as the underlying services are provided. The trade finance fees are spread over the period of the contract on an effective interest rate basis.

Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account. Amounts collected on behalf of third parties are not economic benefits to the Group and do not result in an increase in equity. In an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and do not result in increases in equity for the Group. The amounts collected on behalf of the principal are not recognised as revenue. Instead, revenue is the amount of fees and commission.

The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. The Group is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

2.20 Other income

Other income, which comprises income from directors' services, consultancy and charges for office space and the use of equipment, is recognised on an accruals basis.

2.21 Foreign currencies

The functional currency of the Company and its subsidiaries and associates is determined by the primary economic environment in which the entity operates. The functional and presentational currency of the Company and its subsidiaries is pound sterling (£). Transactions denominated in foreign currencies have been translated into sterling at the actual rates of exchange ruling at the date of the transaction or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets, such as equities classified as 'available-for-sale', are included in other comprehensive income.

2.22 Employee benefits

Share based payment

The Group operates a number of equity-settled share-based payment compensation plans under which the entity receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received by the Group is recognised as an expense. The total value of the expense is determined by reference to the fair value of the equity award granted including any market performance conditions, but excluding non-market conditions such as continued employee service periods. Non-market conditions are included in the assumptions about the number of equity awards that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. Where the employee services are received in advance of the formal grant date of the equity award, as is the case with the deferred element of the Group's long term incentive plan, the fair value of the award is estimated at each reporting date preceding the grant date and the cumulative recognised charge is adjusted as appropriate when the fair value is ultimately calculated on grant. At each reporting date the Group updates its estimate of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

Where relevant the social security contributions payable in connection with the grant of equity awards is considered an integral part of the grant itself and are charged to the income statement at the time of vesting of the awards.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

2.22 Employee benefits continued

Annual and deferred incentive scheme

The Group recognises a liability and an expense for bonuses and profit sharing based on the increase in the higher of total shareholder return or increase in net assets per share against a benchmark of 5% above bank base rate. The scheme applies to certain directors and employees of the Company. Under the scheme the first one-third of the award is payable in cash immediately and two thirds are deferred and payable in shares at the first and second anniversary. The liability is recognised where there is either a contractual obligation or past practice has established a constructive obligation. Deferred incentive scheme bonuses are treated as equity-settled share-based payments, as they are payable only in shares, in accordance with the policy outlined above.

2.23 Employee Benefit Trust (EBT)

The assets and liabilities of the EBT are held separately from the Company and are fully consolidated in the consolidated balance sheet. The cost of purchasing own shares held by EBT are shown as a deduction against equity in the Group balance sheet. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the consolidated income statement.

2.24 Corporation tax

Tax on the result for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred income tax assets are recognised to the extent that it is possible that future taxable profits will be available against which the temporary differences can be utilised.

2.25 Loss of control

When control in a subsidiary is lost, the Group de-recognises the assets and liabilities of the former subsidiary from the consolidated balance sheet, recognises any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it in accordance with relevant IFRSs. If the former subsidiary is determined to be an associate or a joint venture, the fair value determined on loss of control is regarded as the cost on initial recognition of the investment in the associate or joint venture. These result in a gain or loss associated with the loss of control attributable to the former controlling interest which is recognised in the income statement.

3 Judgements and estimates

The preparation of financial information 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 various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the 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 on-going 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 the revision affects both current and future periods.

Assessing impairment of investments in subsidiaries and associates

Investments in subsidiaries and associates and operating investments are valued at cost less impairment. Where there has been a reduction in the Group's shareholding in a subsidiary such that it ceased to be a subsidiary and moved to being an associate, the cost of the investment retained by the Group is deemed to be the fair value of that investment as at the date it ceased to be a subsidiary, as required by IFRS 10.

As at 31 March 2015, one of the Group's investment platforms was a held for sale asset (Therium), one was a subsidiary (CAML) and one was an associate (TFPL).

The fair value of the Group's investment in Therium has been assessed based on the sale price of the business which was sold on 29 April 2015.

CAML, the only investment platform that is a subsidiary, has its own management and operations, and an opportunity and risk profile unique to its business. In determining its fair value, an appropriate valuation was determined based on profit projections for the five years to 2019/20, assuming the availability of an initial fund of £20m and then further wholesale funding to build a book of up to £53m. These projections have been discounted at 15% per annum to reflect the risk around the projections. A detailed sensitivity analysis was performed using several reasonably-possible scenarios. Adequate headroom was noted with no impact on the carrying value of the investment at the balance sheet date.

The fair value of the Group's investment in TFPL has been assessed based on an independent valuation by a third party dated 8 June 2015. A sensitivity analysis using reasonably-possible scenarios showed adequate headroom with no impact on the carrying value of the investment at the balance sheet date.

The directors consider the fair valuation of each underlying investment platform, whether it is a subsidiary or an associate, to be an important measure of the growth of their operating businesses. Where necessary the Group hires consultants who are experts in performing business valuations for the purpose of monitoring and tracking the fair values of its investment platforms.

Impairment losses of continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset.

As stated above, the judgement as to the impairment of its investments in subsidiaries and associates is based on the forecast profitability of the underlying investments in the foreseeable future. Actual results may deviate from these expectations, and as noted above, there is a risk of increased volatility arising in the Group's operating results from a provision for impairment if results are lower than anticipated.

Detailed impairment assessments of the underlying lending portfolios are performed by the subsidiaries and associates in line with the group policy (see policy on impairment of loans and leases below).

Based on their knowledge of the investee companies, management has concluded that no write down of value is appropriate in respect of these investments.

Impairment of loans and leases

For loans and leases the provision for impairment is determined on an individual basis by reference to past default experience and other recoverability information relating to the specific lease or loan. Recoverable amounts are assessed with reference to the expected future cash flows on the lease arrangements. If there is no evidence of impairment on an individual basis, a collective impairment review is undertaken whereby the assets are grouped together, on the basis of similar credit risk characteristics, in order to calculate a collective impairment loss. This process accounts for impairments existing at the balance sheet date that are not evident until a future date.

In respect of disputes, management seeks legal advice where necessary and makes adjustments to the impairment provisions based on the advice received.

Tax

The corporation tax charge for the year is based on estimates and may be subject to adjustment when the corporation tax returns are completed.

Notes to the financial statements continued

4 Revenue and cost of sales

Revenue	31 March 2015 £'000	31 March 2014 £'000 (restated)
Interest receivable	815	751
Dividends receivable	–	23
Income from investments	815	774
Investment management fee income	408	236
Lease and loan interest	533	763
Arrangement fees	13	15
Total from continuing operations	1,769	1,788
Total from discontinued operations	585	3,877
Total revenue	2,354	5,665

Cost of sales	31 March 2015 £'000	31 March 2014 £'000 (restated)
Commissions and introduction fees	64	64
Total from continuing operations	64	64
Total from discontinued operations	571	1,870
Total cost of sales	635	1,934

5 Segmental reporting

A reportable segment is identified based on the nature and size of its business and risk specific to its operations. It is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of the Company.

The Executive Committee manages the Group by each operating platform namely: trade financing, lease and professions financing and legal case funding. A description of the activities of each of these platforms is given in the Strategic report. The COLG segment includes the Group's central functions and an investment portfolio.

Pre-tax profit and loss

For the year ended 31 March 2015

		Revenue £'000	Operating (loss)/profit £'000	Share of profits and losses of associates £'000	Finance expense £'000	Pre-tax (loss)/profit £'000
COLG	Investment portfolio	–	(138)		–	(138)
	Legal case investments	–	(411)		–	(411)
	Intra-Group	766	841		(122)	719
	Other	33	(1,063)		(276)	(1,339)
		799	(771)		(398)	(1,169)
Platforms	Trade financing – TFPL*	432	431	(110)	(431)	(110)
	Trade financing – other	585	3	–	–	3
	Lease and professions financing	1,371	503	83	(870)	(284)
	Legal case funding	55	5	–	(56)	(51)
	Other	–	33	–	–	33
	Intra-Group	(888)	(888)	–	888	–
		2,354	(684)	(27)	(867)	(1,578)
	Continuing operations	1,769	(687)	(27)	(867)	(1,581)
	Discontinued operations	585	3	–	–	3
		2,354	(684)	(27)	(867)	(1,578)

* Revenue represents interest earned on loans to Trade Finance Partners Limited.
The Loss from operations in the Consolidated income statement of £711,000 is the sum of £684,000 and £27,000 shown above.
The revenue in Trade financing – other arose from one customer.

Pre-tax profit and loss

For the year ended 31 March 2014

		Revenue £'000	Operating (loss)/profit £'000	Share of profits and losses of associates £'000	Finance expense £'000	Pre-tax (loss)/profit £'000
COLG	Investment portfolio	–	(206)		–	(206)
	Legal case investments	–	(15)		–	(15)
	Intra-Group	930	930			930
	Other	218	(3,284)		(247)	(3,531)
		1,148	(2,575)		(247)	(2,822)
Platforms	Litigation financing	–	–	(305)	–	(305)
	Trade financing – TFPL	2,937	1,606	(24)	(2,667)	(1,085)
	Trade financing – other	1,155	198	–	(186)	12
	Lease and professions financing	1,208	(189)	74	(746)	(861)
	Legal case funding	140	132	83	(130)	85
	Other	7	(221)	–	(7)	(228)
	Intra-Group	(930)	(930)	–	930	–
		5,665	(1,979)	(172)	(3,053)	(5,204)
	Continuing operations (as restated)	1,788	(3,545)	50	(445)	(3,940)
	Discontinued operations (as restated)	3,877	1,566	(222)	(2,608)	(1,264)
		5,665	(1,979)	(172)	(3,053)	(5,204)

The Loss from operations in the Consolidated income statement of £2,151,000 is the sum of £1,979,000 and £172,000 shown above.
The revenue in Trade financing – other arose from one customer.

Notes to the financial statements continued

5 Segmental reporting continued

Consolidated Net Assets

For the year ended 31 March 2015

		£'000	Total £'000
COLG	'Available-for-sale' financial assets		177
	Legal case investments		232
	Assets classified as held for sale		3,388
Platforms	Trade financing	6,154	
	Lease and professions financing	2,480	
	Legal case funding	158	
	Other	150	
			8,942
	Net liabilities		(4,477)
Net assets per entity balance sheet			8,262
Other net liabilities of subsidiary companies			(3,891)
Consolidated net assets			4,371

Consolidated Net Assets

For the year ended 31 March 2014

		£'000	Total £'000
COLG	'Available-for-sale' financial assets		383
	Legal case investments		672
Platforms	Litigation financing	2,677	
	Trade financing	5,967	
	Lease and professions financing	2,700	
	Legal case funding	764	
	Other	150	
			12,258
	Net liabilities		(4,010)
Net assets per entity balance sheet			9,303
Other net liabilities of subsidiary companies			(3,476)
Consolidated net assets			5,827

The Board reviews the assets and liabilities of the Group on a net basis.

6 Administrative expenses

	31 March 2015 £'000	31 March 2014 £'000
Staff costs		
Payroll (see note 9)	1,067	3,551
Other staff costs	37	104
Establishment costs		
Property costs	253	295
Other	277	1,191
Auditor's remuneration (see below)	126	160
Legal fees	24	300
Consultancy fees	165	377
Other professional fees	164	387
Depreciation	67	89
Amortisation	2	78
Exceptional administrative expenses (see below)	–	1,049
Foreign exchange (gain)/loss	(12)	24
Total	2,170	7,605
Total from continuing operations (as restated)	2,159	5,154
Total from discontinued operations (as restated)	11	2,451
Total administrative expenses	2,170	7,605

Directors' emoluments are shown in the Directors' Remuneration report on pages 16 and 17.

Exceptional administrative expenses	31 March 2015 £'000	31 March 2014 £'000
Unsuccessful fund raising costs	–	335
System development costs written off	–	207
Central loan – provision for impairment	–	507
	–	1,049

The above items were deemed exceptional by reason of their non-recurring nature and quantum.

Auditor's remuneration	31 March 2015 £'000	31 March 2014 £'000
Fees payable to the Company's auditor for the audit of the parent company's annual financial statements	38	38
Fees payable to the Company's auditors for other services:		
The audit of subsidiaries pursuant to legislation	53	80
Audit related assurance services	12	22
Tax services	23	20
	126	160
Corporate finance (a)	–	100
Total	126	260
Continuing operations (as restated)	126	241
Discontinued operations (as restated)	–	19
Total fees	126	260

(a) Corporate finance cost in 2014 is Included within Unsuccessful fund raising costs of £335,000.

Notes to the financial statements continued

7 (Losses)/gains on financial assets

	31 March 2015 £'000	31 March 2014 £'000
Gain on sale of investments	16	10
Fair value reserve transfer from equity on sale of investments	(55)	(115)
Provision for impairment of investments during the year	(9)	(16)
Fair value reserve transfer from equity on impairment of investments	(90)	(85)
Loss on legal case investments	(411)	(15)
Total from continuing operations	(549)	(221)

The impairment losses of £99,000 (2014: £101,000) include the write down of investments in Black Mountain and Vatukoula Gold (2014: Jubilee Platinum and Kilo Goldmines).

8 Other income

	31 March 2015 £'000	31 March 2014 £'000
Director services	50	1
Consultancy	59	23
Sundry income	207	301
Total	316	325
Total from continuing operations	316	106
Total from discontinued operations	–	219
Total Other income	316	325

9 Employee numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

Group	31 March 2015	31 March 2014
COLG	6	13
Lease and professions financing	9	10
Trade financing	–	18
	15	41
Continuing operations	15	23
Discontinued operations	–	18
Total	15	41

The aggregate payroll costs of these employees were as follows:

	31 March 2015 £'000	31 March 2014 £'000
Wages and salaries	906	3,114
Social security costs	120	325
Pensions	1	72
Share option scheme	40	40
	1,067	3,551
Continuing operations	1,067	1,973
Discontinued operations	–	1,578
Total	1,067	3,551

10 Finance expense

	31 March 2015 £'000	31 March 2014 £'000
Bank interest	–	37
Loan interest	867	408
Total from continuing operations	867	445
Total from discontinued operations	–	2,608
Total finance expense	867	3,053

11 Corporation tax

	31 March 2015 £'000	31 March 2014 £'000
UK corporation tax		
Current year charge	–	–
Total for continuing operations	–	–
Total for discontinued operations	–	(49)
Total UK corporation tax	–	(49)
Total for continuing operations	–	–
Total for discontinued operations	–	(49)
Total tax (credit)/charge	–	(49)

Factors affecting the tax charge for the year

The tax charge for the year differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK, which is 21% (2014: 23%). The differences are explained below.

Tax reconciliation	31 March 2015 £'000	31 March 2014 £'000
Loss before tax	(1,578)	(5,204)
At standard rate of corporation tax in the UK:	(331)	(1,197)
Effects of		
Depreciation in excess of capital allowances	6	19
Expenses not deductible for tax purposes	41	113
Non-taxed dividend income	(1)	(14)
Movement on unrecorded deferred tax asset	285	1,030
	–	(49)

12 Dividends

No dividends were paid and recognised during either the current or prior year. The directors do not recommend payment of a final dividend (2014: nil).

Notes to the financial statements continued

13 Earnings per share

Basic and diluted

Basic and diluted earnings per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year less those held in treasury and in the Employee Benefit Trust (see note 25).

	31 March 2015	31 March 2014 (restated)
Loss attributable to equity holders (£'000)		
Continuing operations	(1,418)	(3,336)
Discontinued operations	2	(91)
Total	(1,416)	(3,427)
Weighted average number of ordinary shares in issue ('000)	19,780	19,780
Basic and diluted earnings per share		
Continuing operations	(7.17p)	(16.87p)
Discontinued operations	0.01p	(0.46p)
Total	(7.16p)	(17.33p)

14 Intangible assets

Group	Goodwill £'000	Systems development costs £'000	Total £'000
Cost			
At 31 March 2013	459	423	882
Additions	–	27	27
Disposals	(413)	(436)	(849)
At 31 March 2014	46	14	60
Disposals	–	(14)	(14)
At 31 March 2015	46	–	46
Accumulated amortisation and impairment			
At 31 March 2013	113	81	194
Disposals	(113)	(147)	(260)
Charge in year	–	78	78
At 31 March 2014	–	12	12
Disposals	–	(14)	(14)
Charge in year	–	2	2
At 31 March 2015	–	–	–
Carrying amount			
At 31 March 2015	46	–	46
At 31 March 2014	46	2	48

15 Property, plant and equipment

	Group		Company	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Cost				
At 1 April	326	308	315	281
Additions	8	37	6	35
Disposals	(9)	(19)	(3)	(1)
At 31 March	325	326	318	315
Depreciation				
At 1 April	226	148	218	138
Charge for the year	67	89	64	81
Disposals	(8)	(11)	(2)	(1)
At 31 March	285	226	280	218
Net book value				
At 31 March	40	100	38	97

Property, plant and equipment comprises mainly office furniture and equipment.

16 'Available-for-sale' financial assets

Group and Company	31 March 2015 £'000	31 March 2014 £'000
At 1 April	383	1,924
Additions	–	2
Disposals	(140)	(1,229)
Revaluation surplus recognised in equity	33	(213)
Written off to income statement	(99)	(101)
At 31 March	177	383
Historic cost (net of provisions) of disposals	196	1,334

Securities	31 March 2015 £'000	31 March 2014 £'000
Listed		
Equity securities – UK	130	330
Equity securities – USA and Canada	3	5
Total listed	133	335
Unlisted securities		
Equity securities traded on inactive markets	44	48
Total unlisted	44	48
	177	383

Notes to the financial statements continued

17 Investments

Group	Interests in associates £'000	Operating Investments £'000
As at 31 March 2013	417	18
Addition – Trade Finance Partners Limited at fair value (b)	882	–
Share of profits and losses of associates	(172)	–
Disposals in year	–	(18)
As at 31 March 2014	1,127	–
Addition	3	–
Share of profits and losses of associates	(27)	–
Transfer to Assets classified as held for sale	(213)	–
As at 31 March 2015	890	–

Company	Investments in subsidiaries £'000	Investments in associates £'000	Operating Investments £'000
As at 31 March 2013	3,745	1,767	18
Additions in year	67	–	–
Disposal in year	(593)	–	(18)
As at 31 March 2014	3,219	1,767	–
Additions in year	–	3	–
Disposal in year	(2)	–	–
Transfer to Assets classified as held for sale	–	(1,770)	–
As at 31 March 2015	3,217	–	–
Provision for impairment			
As at 31 March 2013	645	–	–
Disposal in year	(545)	–	–
As at 31 March 2014	100	–	–
Disposal in year	–	–	–
As at 31 March 2015	100	–	–
Carrying amount			
As at 31 March 2015	3,117	–	–
As at 31 March 2014	3,119	1,767	–

(a) TFP Trading Company Limited

In December 2014, the Company sold its 51% equity investment in TFP Trading Company Limited ("TFP Trading") to its associate, Trade Finance Partners Limited, for its net asset value, £9,647. TFP Trading, which is wholly owned by Trade Finance Partners Limited, is now an associate of the Company.

In accordance with the requirements of IFRS 5, TFP Trading has been classified as a "discontinued operation" in the consolidated financial statements and its results for both the current year (up to the date when it ceased to be a subsidiary) and the preceding year have been classified as discontinued operations and shown separately in the consolidated income statement.

(b) Assets classified as held for sale – Therium

During the year, the Company decided to dispose of the Company's interest in Therium, its litigation fund manager associate: the sale was completed after the year-end on 29 April 2015.

The Group's interest in Therium, including loans and receivables, was classified as an asset held for sale with effect from 13 June 2014 and, in accordance with the requirements of IFRS 5, the Group's interest is presented separately in the balance sheet at 31 March 2015 and the Group's share of the results of Therium are not included in the consolidated income statement from 13 June 2014. In addition, the Group's share of the results of Therium and its associate, Novitas, for the year to 31 March 2014 (loss of £222,000) are included within "discontinued operations".

The Company's interest in Therium, including loans and receivables, is also presented separately in the Company's balance sheet at 31 March 2015.

The major classes of assets and liabilities comprising the interest in Therium classified as held for sale are shown below for the Group and Company respectively. The figure for the Group's Interests in associates reflects the post-acquisition losses of Therium included in the consolidated financial statements.

	Group £'000	Company £'000
Non-current assets		
Investment in associates	–	1,770
Interests in associates (i)	213	–
Loans	1,180	1,180
	1,393	2,950
Current assets		
Trade and other receivables	438	438
Total assets classified as held for sale	1,831	3,388

(i) Investment in Therium as adjusted by the Group's share of post-acquisition changes in the Group's share of its net assets.

No impairment losses have been recognised in respect of the assets classified as held for sale in either the Group or Company balance sheet as the consideration on disposal of the interest in Therium exceeded the carrying value of the assets in the Company balance sheet. A profit of £1.5m will be recognised in the consolidated financial statements for the year ended 31 March 2016.

(c) Trade Finance Partners Limited ("TFPL")

On 19 March 2014, TFPL ceased to be a subsidiary of the Group when the Group's equity interest was reduced from 60.3% to 44.09% by the issue by TFPL of new ordinary shares as part of the refinancing arrangements agreed on that date. TFPL then became an associate of the Group.

In accordance with the requirements of IFRS 5, TFPL was classified as a "discontinued operation" as at that date and its results were classified as discontinued operations and shown separately in the consolidated income statement for the year ended 31 March 2014.

As required under IFRS 10, the Group's remaining interest in TFPL as at 19 March 2014 was included in the consolidated accounts at its fair value as at that date, which was deemed to be the cost on initial recognition of the associate. The fair value of the Group's equity interest was determined by reference to the imputed value attributed to TFPL in the March 2014 transactions, which was then discounted to take account of both the illiquid nature of the investment and the fact it is a minority shareholding. The inclusion of the Group's equity interest as at 19 March 2014 at this fair value of £881,800 gave rise to a profit of £1,791,000 as shown in the table below. This profit was credited to the consolidated income statement for the year ended 31 March 2014.

	£'000
Fair value of the Group's equity interest at the date TFPL became an associate	882
Net liabilities attributable to the Group's investment in TFPL at the date it ceased to be a subsidiary	(909)
Profit on the loss of control included in consolidated income statement	1,791

Notes to the financial statements continued

17 Investments continued

(d) Associates

Summarised financial information on the associates is set out below:

Year ended 31 March 2015	TFPL £'000	COL SME LP £'000	COL SME Loans LP £'000	Therium £'000
Non-current assets	34	3,343	1,092	17,926
Current assets	43,460	3,030	2,323	3,027
Current liabilities	(33,488)	(173)	(235)	(22,041)
Non-current liabilities	(11,509)	(6,100)	(3,000)	–
Net (liabilities)/assets	(1,503)	100	180	(1,088)
Revenue	10,883	700	459	1,012
(Loss)/profit from continuing operations	(251)	76	52	143
Total comprehensive (expense)/income	(251)	76	52	143

Year ended 31 March 2014	TFPL (i) £'000	COL SME LP £'000	COL SME Loans LP £'000	Therium £'000
Non-current assets	89	2,436	773	14,269
Current assets	28,110	1,574	2,422	3,295
Current liabilities	(18,613)	(91)	(97)	(17,044)
Non-current liabilities	(10,667)	(3,900)	(3,000)	(1,592)
Net (liabilities)/assets	(1,081)	19	98	(1,072)
Revenue	126	356	418	507
(Loss)/profit from continuing operations	(54)	23	124	(445)
Total comprehensive (expense)/income	(54)	23	124	(445)

(i) TFPL was a subsidiary of the Group until 19 March 2014. The revenue shown is that for the period from 20 to 31 March 2014.

(e) Investments

Details of investments are as follows:

Name of company subsidiary undertaking	Holding	Proportion held directly by City of London Group plc	Proportion held indirectly	Nature of business
City of London Confirming House Limited	Ordinary Shares	100%		Holding company
City of London SME Leasing Limited	Ordinary Shares	100%		Holding company
COLG SME (GP) Limited	Ordinary Shares	100%		Holding company
City of London Financial Services Limited	Ordinary Shares	100%		General financial
City of London Law Funding Limited	Ordinary Shares	100%		Legal case funding
COLG Trade Finance Limited	Ordinary Shares	100%		Finance company
Credit Asset Management Limited	Ordinary Shares	51%		Leasing
Professions Funding Limited	Ordinary Shares	100%		Professions funding
City of London Public Relations Limited	Ordinary Shares	100%		Dormant
Array Management Limited	Ordinary Shares	51%		Dormant
Affinia Capital (General Partner) Limited	Ordinary Shares	100%		Services
Associate investments				
Trade Finance Partners Limited	Ordinary Shares		(a) 44.09%	Trade Finance
TFP Trading Company Limited	Ordinary Shares		(b) 100%	Trade Finance
Therium Capital Management Limited	Ordinary Shares	50%		Litigation funding
Therium (UK) Holdings Limited	Ordinary Shares		(c) 100%	Litigation funding
Therium Holdings Limited	Ordinary Shares		(c) 100%	Holding company
Therium ATE Limited	Ordinary Shares		(c) 100%	Dormant
Therium Litigation Funding Limited	Ordinary Shares		(c) 100%	Litigation funding
Novitas Loans Limited	Ordinary Shares		(c) 50%	Legal case funding
Novitas Futures Limited	Ordinary Shares		(c) 50%	Legal case funding
COLG SME Loans LP	Capital contribution		(d) 50%	Professions funding
COLG SME LP	Capital contribution		(d) 50%	Leasing

(a) Proportion held by City of London Confirming House Limited. The same proportion is held indirectly by the Company.

(b) Proportion held by Trade Finance Partners Limited. The indirect interest held by both City of London Confirming House Limited and the Company is 44.09%.

(c) The proportions shown are those held directly or indirectly by Therium Capital Management Limited. The Company's indirect interest in these companies is 50% of the percentages shown.

(d) Proportion held by City of London SME Leasing Limited. The same proportion is held indirectly by the Company.

All subsidiaries and associates have a 31 March year end.

All subsidiaries and associates are registered in England and Wales with the exceptions of Therium Holdings Limited, Therium ATE Limited and Therium Litigation Funding Limited which are registered in Guernsey.

Therium Capital Management Limited ceased to be an associate on 29 April 2015 (see note 33).

18 Legal case investments

Group and Company	31 March 2015 £'000	31 March 2014 £'000
As at 1 April	672	694
Additions	11	33
Return of seed investment	(40)	(40)
Loss on legal case investments	(411)	(15)
As at 31 March	232	672

Notes to the financial statements continued

19 Loans and leases receivable

	Group		Company	
Non-current	**31 March 2015 £'000**	**31 March 2014 £'000**	**31 March 2015 £'000**	**31 March 2014 £'000**
Loans	634	545	100	100
Loans to related parties (note 29)	9,979	9,602	–	910
	10,613	10,147	100	1,010
Finance leases	970	832	–	–
	11,583	10.979	100	1,010

	Group		Company	
Current	**31 March 2015 £'000**	**31 March 2014 £'000**	**31 March 2015 £'000**	**31 March 2014 £'000**
Loans	1,548	1,742	50	50
Loans to related parties (note 29)	108	392	110	172
	1,656	2,134	160	222
Finance leases	676	1,031	–	–
	2,332	3,165	160	222

Current loans and finance leases are stated after including a provision of £303,000 for impairment (2014: £325,000).

The gross amounts receivable by the Group under finance lease contracts are shown below:

	31 March 2015		31 March 2014	
	Minimum lease payments £'000	**Present value of minimum lease payments £'000**	**Minimum lease payments £'000**	**Present value of minimum lease payments £'000**
Gross amounts receivable:				
Less than one year	913	676	1,230	1,031
More than one year, less than five	1,115	970	948	832
	2,028	1,646	2,178	1,863
Less: unearned finance income	(322)	–	(315)	–
	1,706	1,646	1,863	1,863

There were no finance lease receivables in respect of the Company (2014: nil).

20 Trade and other receivables

	Group		Company	
Current assets	**31 March 2015 £'000**	**31 March 2014 £'000**	**31 March 2015 £'000**	**31 March 2014 £'000**
Trade receivables	98	75	59	47
Amounts owed by related companies	74	149	–	85
Amounts owed by subsidiaries	–	–	7,242	6,894
Other debtors	222	1,425	3	22
Less provisions for impairment	–	(409)	–	–
Prepayments and accrued income	509	785	71	454
	903	2,025	7,375	7,502

21 Cash and cash equivalents

	Group		Company	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Cash at bank	1,221	3,783	190	441

There was £792,000 (2014: £1,997,000) of restricted cash within the Group cash balance of £1,221,000 (2014: £3,783,000) and £60,000 (2014: nil) of restricted cash within the Company cash balance of £190,000 (2014: £441,000). The restricted cash held by the Company is a rent deposit, with the balance within the Group being held by a subsidiary on behalf of managed funds.

22 Borrowings, trade and other payables: due within one year

	Group		Company	
Borrowings	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Loans	1,688	2,274	–	825
Trade and other payables				
Trade payables	913	2,852	122	172
Amounts owed to subsidiaries	–	–	1,555	2,105
Amounts owed to related parties	–	380	–	–
Dividends payable	1	1	1	1
Other taxation and social security	30	56	8	32
Other creditors	112	30	60	–
Accruals and deferred income	681	1,793	425	525
	1,737	5,112	2,171	2,835

23 Non-current liabilities

	Group		Company	
Borrowings	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Loans	11,459	9,069	4,344	2,250

Notes to the financial statements continued

24 Deferred tax assets and liabilities

	Group		Company	
Unrecognised deferred tax assets	**31 March 2015 £'000**	**31 March 2014 £'000**	**31 March 2015 £'000**	**31 March 2014 £'000**
Differences between tax and accounting base of:				
Investments, including 'available-for-sale' assets	232	220	266	277
Trading losses	404	206	–	–
Excess management charges	1,090	1,058	1,007	1,058
Timing differences	(17)	(18)	(17)	(18)
Total	1,709	1,466	1,256	1,317

No deferred tax assets or liabilities were recognised in the financial statements at 31 March 2015 or 31 March 2014.

Unrecognised deferred tax assets have been calculated on the basis of trading losses and excess management charges carried forward of £7,470,000 (2014: £6,020,000), unrealised capital losses on investments of £1,160,000 (2014: £1,050,000) and timing differences of £85,000 (2014: £85,000). There is no time limit for the utilisation of these amounts.

25 Called-up share capital

Allotted, called up and fully paid	**31 March 2015 £'000**	**31 March 2014 £'000**
20,206,617 (2014: 20,206,617) ordinary shares of £0.10	2,021	2,021

The Company did not hold any shares in treasury at 31 March 2015 (2014: nil). 426,996 shares were held by the Employee Benefit Trust ("EBT") at 31 March 2015 (2014: 426,996). The company did not purchase any shares from the Trust during the year (2014: nil). The fair value of shares held by the EBT at the balance sheet date amounted to £110,000 (2014: £123,000): these are deducted from equity in accordance with note 2.23.

	Shares in issue Number	**Shares in issue £'000**
As at 31 March 2013	20,206,617	2,021
Issued in year	–	–
As at 31 March 2014	20,206,617	2,021
Issued in year	–	–
As at 31 March 2015	20,206,617	2,021

26 Non-controlling interests

	31 March 2015 £'000	31 March 2014 £'000
At 1 April	(986)	(202)
Loss attributable to non-controlling interests	(162)	(1,728)
Transferred to equity on acquisition of non-controlling interest	–	149
Transferred on loss of control of discontinued operations	–	795
Transfer on sale of subsidiary	(6)	–
At 31 March	(1,154)	(986)

Credit Asset Management Limited, a 51% owned subsidiary of the Company, is the only subsidiary at both 31 March 2015 and 31 March 2014 that has material non-controlling interests (NCI). Summarised financial information in relation to the NCI of Credit Asset Management Limited, before intra-group eliminations, is given below:

For the year ended 31 March	2015 £'000	2014 £'000
Revenue	879	592
Costs	(1,210)	(1,480)
Loss before and after tax	(331)	(888)
Loss and total comprehensive expense allocated to NCI	(162)	(435)
Cash flows from operating activities	(1,357)	1,838
Cash flows from financing activities	(93)	(204)
Net cash (outflow)/ inflows	(1,450)	1,634
As at 31 March		
Assets and liabilities attributable to NCI		
Non-current assets	476	407
Current assets	849	1,671
Current liabilities	(1,531)	(2,257)
Non-current liabilities	(948)	(811)
Accumulated non-controlling interests	(1,154)	(990)

Notes to the financial statements continued

27 Operating lease commitments

	Group		Company	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Minimum lease payments under operating leases recognised in expense for the year	146	146	146	146

The outstanding commitments for future minimum lease payments under non-cancellable operating leases, the majority of which related to buildings, fall due as follows:

	Group		Company	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Less than one year	155	146	155	146
Between one and five years	187	266	187	266
Greater than five years	–	–	–	–
	342	412	342	412

28 Commitments

	Group		Company	
Funding Commitments	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Loans	450	1,700	–	–
	450	1,700	–	–

29 Related party transactions

The related parties of the Company are its subsidiaries and the associates of the Group, together with the directors of the Company.

Directors' emoluments are disclosed in the part of the Directors' Remuneration report subject to audit. The aggregate emoluments paid to directors during the year were £222,548 (2014: £757,781) and there were no awards under the incentive scheme for 2014/15 (2014: nil). There are no other persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Accordingly, the aggregate amounts payable to directors equate to the aggregate compensation to key management personnel. As all directors' emoluments are paid by the Company, the figure relates both to the Company and the Group.

The Company's related party transactions included:

	Charged by City of London Group plc in year £'000	Charged to City of London Group plc in year £'000	Loans due to City of London Group plc at year end £'000	Other amounts due to/(from) City of London Group plc at year end £'000	Due from City of London Group plc at year end £'000	City of London Group plc investments in funds managed by associate at year end £'000
Year ended 31 March 2015						
City of London Confirming House Limited	247	–	3,192	49	–	–
COLG Trade Finance Limited	192	–	2,325	199	–	–
Trade Finance Partners Limited	179	–	–	–	–	–
City of London Law Funding Limited	47	–	158	188	–	–
Professions Funding Limited	114	–	–	334	–	–
Credit Asset Management Limited	235	–	350	511	–	–
City of London SME Leasing Limited	–	122	–	(30)	1,450	–
City of London Financial Services Limited	6	–	–	(20)	105	–
Therium Capital Management Limited	40	27	1,180	438	–	232
Year ended 31 March 2014						
City of London Confirming House Limited	319	–	3,004	(11)	–	–
COLG Trade Finance Limited	7	–	2,325	7	–	–
TFP Trading Limited	202	–	–	–	–	–
Trade Finance Partners Limited	112	135	–	12	–	–
City of London Law Funding Limited	124	44	566	139	–	–
Professions Funding Limited	115	–	20	200	–	–
Credit Asset Management Limited	218	–	350	337	–	–
City of London SME Leasing Limited	–	112	–	(38)	2,000	–
City of London Financial Services Limited	2	–	–	16	105	–
Therium Capital Management Limited	115	30	910	441	–	672
City of London Public Relations Limited	–	65	–	–	–	–

The amounts reported above include the Company's charges for:

- loan interest charged to City of London Confirming House Limited, COLG Trade Finance Limited, City of London Law Funding Limited, Credit Asset Management Limited, Professions Funding Limited, TFP Trading Limited and Therium Capital Management Limited;
- preference share dividends accrued from Credit Asset Management Limited, Professions Funding Limited and Therium Capital Management Limited;
- office space and the use of equipment to Credit Asset Management Limited and Trade Finance Partners Limited; and
- directors' services to Trade Finance Partners Limited and Credit Asset Management Limited.

The amounts charged to the Company are loan interest and, in the prior year, expenditure which the Company agreed to meet for City of London Public Relations Limited and Trade Finance Partners Limited.

Notes to the financial statements continued

29 Related party transactions continued

Group related parties

The transactions of other Group companies with related parties included:

	Interest charged by Group in year £'000	Loans due to Group at year end £'000	Other amounts due to/(from) Group at year end £'000
Year ended 31 March 2015			
Trade Finance Partners Limited	432	5,429	260
Novitas Futures Limited	37	108	61
Novitas Loans Limited	6	–	–
COLG SME Loans LP	105	1,500	26
COLG SME LP	175	3,050	49
Year ended 31 March 2014			
Trade Finance Partners Limited	319	5,242	(19)
Novitas Futures Limited	90	343	10
Novitas Loans Limited	–	49	–
COLG SME Loans LP	93	1,500	21
COLG SME LP	100	1,950	35

In addition, in 2014 a then Group company owed Trade Finance Partners Limited £353,000 for management services provided.

30 Share-based payments

Share options are granted to directors and to selected employees. The exercise price of these fixed price options is equal to the market price of the shares at the date of grant. These options are conditional on the employee completing three years' service (the vesting period). The options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	Date of Grant	01/04/14	Granted in year	Lapsed in year	31/03/15	Exercisable from	Exercisable to	Exercise price
E Anstee	11/02/10	100,000	–	(100,000)	–	11/11/12	11/11/19	55.80p
H Goodbourn	30/11/11	143,267	–	–	143,267	30/11/14	30/11/21	69.80p
J Kent	11/02/10	70,000	–	–	70,000	11/11/12	11/11/19	55.80p
Other staff	05/07/05	58,252	–	–	58,252	05/07/08	04/07/15	55.50p
	11/02/10	60,000	–	(60,000)	–	11/11/12	11/11/19	55.80p
	13/09/11	432,786	–	(131,148)	301,638	13/09/14	13/09/21	76.25p
		864,305	–	(291,148)	573,157			

Movements in the number of share options outstanding for 2013/14 were as follows:

	Date of Grant	01/04/13	Granted in year	Lapsed in year	31/03/14	Exercisable from	Exercisable to	Exercise price
E Anstee	11/02/10	100,000	–	–	100,000	11/11/12	11/11/19	55.80p
H Goodbourn	30/11/11	143,267	–	–	143,267	30/11/14	30/11/21	69.80p
J Kent	11/02/10	70,000	–	–	70,000	11/11/12	11/11/19	55.80p
Other staff	05/07/05	58,252	–	–	58,252	05/07/08	04/07/15	55.50p
	11/02/10	60,000	–	–	60,000	11/11/12	11/11/19	55.80p
	13/09/11	432,786	–	–	432,786	13/09/14	13/09/21	76.25p
		864,305	–	–	864,305			

City of London Group plc's share price as at 31 March 2015 was 25.75p (2014: 28.0p). The average for the year to 31 March 2015 was 20.9p (2014: 55.2p)

As the value of the share options is nil, no disclosure regarding the determination of the fair value of the share options has been made.

The Company will use the shares in the Employee Benefit Trust to cover the deferred incentive scheme awards.

31 Financial instruments

The Company's and the Group's financial instruments comprise 'available-for-sale' financial assets, trade debtors and other receivables, cash and cash equivalents and trade and other payables. The following tables analyse the Group and Company's financial assets and financial liabilities in accordance with the categories of financial instruments in IAS 39. Assets and liabilities outside the scope of IAS 39 are not included in the table below.

	As at March 2015			As at March 2014		
Group	**Available-for-sale financial investments £'000**	**Loans and receivables £'000**	**Total £'000**	**Available-for-sale financial investments £'000**	**Loans and receivables £'000**	**Total £'000**
Assets						
'Available-for-sale' financial assets	177	–	177	383	–	383
Legal case investments	232	–	232	672	–	672
Loans	–	12,269	12,269	–	12,281	12,281
Finance leases	–	1,646	1,646	–	1,863	1,863
Trade and other receivables	–	903	903	–	2,025	2,025
Cash and cash equivalents	–	1,221	1,221	–	3,783	3,783
	409	16,039	16,448	1,055	19,952	21,007
Liabilities						
Interest-bearing borrowings			13,147			11,343
Trade and other payables			1,737			5,112
			14,884			16,455

All financial liabilities in the above table are reflected at amortised cost.

Notes to the financial statements continued

31 Financial instruments continued

	As at March 2015			As at March 2014		
Company	Available-for-sale financial investments £'000	Loans and receivables £'000	Total £'000	Available-for-sale financial investments £'000	Loans and receivables £'000	Total £'000
Assets						
'Available-for-sale' financial assets	177	–	177	383	–	383
Legal case investments	232	–	232	672	–	672
Loans	–	260	260	–	1,232	1,232
Trade and other receivables	–	7,375	7,375	–	7,502	7,502
Cash and cash equivalents	–	190	190	–	441	441
	409	7,825	8,234	1,055	9,175	10,230
Liabilities						
Interest-bearing borrowings			4,344			3,075
Trade and other payables			616			730
Amounts owed to subsidiaries			1,555			2,105
			6,515			5,910

At 31 March 2015 and 31 March 2014 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances and other balances with related parties which are short term or repayable on demand are equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Group's non-current advances to related parties fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current fixed interest rate advances and bank borrowings at the end of the reporting periods is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'.

32 Financial risk management

The financial risks faced by the Company include market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks. Neither the Company nor the Group uses derivative financial instruments for trading purposes.

(i) Credit risk

Credit risk is the risk of the financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The scale of risk to the Group is set out in the table below:

	31 March 2015 £'000	31 March 2014 £'000
Loans	2,182	2,287
Loans to related parties	10,087	9,994
Leases	1,646	1,863
Trade and other receivables	903	2,025
Cash and cash equivalents	1,221	3,783
Total	16,039	19,952

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer loan, lease or receivable. Each new customer is analysed individually for creditworthiness before payment is made. The conduct of customer accounts is reviewed regularly.

The leases are all secured by the underlying assets leased.

Loans are to professional firms including doctors, dentists, vets, lawyers and accountants and are unsecured but benefit from personal guarantees as management considers necessary.

The Group establishes an allowance for impairment on the basis set out in note 2. The credit risk for both loans and leases is reduced due to their being widely spread.

Receivables include the following that are wholly or partly in arrears:

	31 March 2015 £'000	31 March 2014 £'000
Loans	406	505
Leases	50	100
Trade and other receivables	–	423
	456	1,028
Provisions made in respect of above	303	916

Receivables wholly or partly in arrears include arrears of £386,000 (2014: £928,000), of which £363,000 (2014: £846,000) was more than 90 days in arrears. There are no other past due receivables.

The Group limits its credit exposure to cash and cash equivalents by depositing funds only with major UK High Street banking institutions.

(ii) Foreign exchange risk

The foreign exchange risk for the Group is immaterial as the financial instruments held by the Group are largely denominated in sterling.

(iii) Liquidity risk

The Company has sufficient cash to meet its current requirements. At 31 March 2015 the Company did not have a bank overdraft facility (2014: £1,000,000 with nil drawn at 31 March 2014).

The total gross contractual undiscounted cash flows of financial liabilities, including interest payments:

Year ended 31 March 2015	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	904	1,431	12,983	–	15,318
Trade and other payables	–	1,737	–	–	–	1,737
	–	2,641	1,431	12,983	–	17,055
Company						
Interest-bearing borrowings	–	1,555	45	4,852	–	6,452
Trade and other payables	–	616	–	–	–	616
	–	2,171	45	4,852	–	7,068

Notes to the financial statements continued

32 Financial risk management continued

(iii) Liquidity risk continued

Year ended 31 March 2014	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	1,081	2,370	9,894	–	13,345
Trade and other payables	–	5,112	–	–	–	5,112
	–	6,193	2,370	9,894	–	18,457
Company						
Interest-bearing borrowings	–	2,607	330	2,496	–	5,433
Trade and other payables	–	730	–	–	–	730
	–	3,337	330	2,496	–	6,163

The repayment dates of financial liabilities are as follows:

Year ended 31 March 2015	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	742	946	11,459	–	13.147
Trade and other payables	–	1,737	–	–	–	1,737
	–	2,479	946	11,459	–	14,884
Company						
Interest-bearing borrowings	–	1,555	–	4,344	–	5,899
Trade and other payables	–	616	–	–	–	616
	–	2,171	–	4,344	–	6,515

Year ended 31 March 2014	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	956	2,034	8,353	–	11,343
Trade and other payables	–	5,112	–	–	–	5,112
	–	6,068	2,034	8,353	–	16,455
Company						
Interest-bearing borrowings	–	2,605	325	2,250	–	5,180
Trade and other payables	–	730	–	–	–	730
	–	3,335	325	2,250	–	5,910

(iv) Interest rate risk

The Company has interest-bearing assets and liabilities at fixed interest rates. The Group and Company had no floating rate borrowings at either 31 March 2015 or 31 March 2014. Accordingly, the profit before tax of the Group and Company would be unaffected by any change in the Bank of England rate in either year.

(v) Price risk

The Group is subject to price risk on its 'available-for-sale' financial assets, including its legal case investments as well as its portfolio of financial assets. There is a concentration risk in the natural resources and technology sectors as the majority of the investment portfolio of £177,000 is invested in these sectors. At 31 March 2015, 25% of the Group's portfolio was invested in unlisted equity securities. There is no material sensitivity on the valuation of the 'available-for-sale' financial assets and the legal case investments.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of listed financial assets is established by reference to current bid market prices.

The fair value of unlisted investments is determined using valuation techniques as described in note 3.

The fair value of investments in legal funds is taken to be cost as at the balance sheet date there was not a sufficient track record on which to base a valuation. Due to their short maturity profiles, management is of the opinion that there is no material difference between the fair value and carrying value of trade and other receivables, cash and cash equivalents, and trade and other payables. The directors therefore consider that the carrying value of financial instruments equates to fair value.

The following table presents the Group's assets that are measured at fair value at 31 March 2015:

	Level 1 £'000	Level 3 £'000	Total £'000
'Available-for-sale' financial assets			
Equity securities	133	44	177
Legal case investments	–	232	232
	133	276	409

The following table presents the Group's assets that are measured at fair value at 31 March 2014:

	Level 1 £'000	Level 3 £'000	Total £'000
'Available-for-sale' financial assets			
Equity securities	335	48	383
Legal case investments	–	672	672
	335	720	1,055

Level 1 assets are quoted ordinary shares. There are no level 2 assets.

Notes to the financial statements continued

32 Financial risk management continued

(v) Price risk continued

The movement on level 3 assets is as follows:

	31 March 2015 £'000	31 March 2014 £'000
Balance at 1 April	720	1,139
Additions	11	35
Impairment	(411)	–
Disposals	(44)	(72)
Transfer to level 1 assets on unlisted investment becoming listed	–	(382)
Balance at 31 March	276	720

(vi) Capital Management

The primary objective of the Company's capital management is to ensure that it has sufficient funding capacity for itself and to support the growth and development of its two SME lending platforms. The Company has significantly reduced its head office costs so reducing the capital requirements of the Company. The main funding sources for the platforms will continue to be from third party sources. The Company seeks to optimise the mix of debt and equity funding sources to maintain the balance of a robust financial structure whilst creating shareholder value through an appropriate debt equity mix of the Company and the platforms. The Company's capital is deemed to be its equity.

Debt equity ratio is shown below:

	31 March 2015 £'000	31 March 2014 £'000
Third-party borrowings	4,344	3,075
Loans from subsidiaries	1,555	2,105
Cash	(190)	(441)
Net Debt	5,709	4,739
Equity	8,262	9,303
Gearing	69.10%	50.9%

As an investment company the management only monitors the Company's capital structure instead of the Group structure.

33 Post balance sheet events

On 29 April 2015, the Company completed the sale of its interest in Therium for a total consideration of £3.4m of which £1.7m was received in cash on completion and £1.7m was deferred. The deferred consideration will be received within two-years. See note 17.

In May 2015, the Group increased its shareholding in Trade Finance Partners Limited from 44.1% to 48.9% at a cost of £192k.

On 16 July 2015, Credit Asset Management Limited ('CAML') completed the issue of £5m of 7% preference shares to the Company's principal creditor. This should enable CAML to seek £15m of senior debt with which to build a £20m portfolio of SME leases and loans.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations. Having taken advice from the audit and risk committee, the directors consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the Group financial statements and have elected to prepare the Company 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 Group and the Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates which are reasonable and prudent;
- state whether they have been prepared 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; and
- prepare a directors' report, directors' remuneration report, strategic report and an audit and risk committee report which comply with the requirements of the Companies Act 2006.

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 and as regards the Group financial statements, Article 4 of the IAS Regulation. 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained on the website.

Directors' statement pursuant to DTR4

The directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Strategic report and the Directors' report contained in the Annual Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

John Kent

Acting Chief Executive

16 July 2015

Independent Auditor's report
to the members of City of London Group plc

We have audited the financial statements of City of London Group Plc for the year ended 31 March 2015 which comprise the group statement of comprehensive income, the group and company statement of financial position, the group and company statement of changes in equity, the group and company statement of cash flows and the 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 and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 March 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied by the provisions of the Companies Act 2006; and
- 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.

Our assessment of risks of material misstatement

We identified the following risks that we considered to have had the greatest impact on our audit strategy and scope:

Risk area	Reason	Audit response
Going Concern	The Company has incurred operating losses during the year and in the absence of further funding the going concern assumption presents significant challenges in relation to liquidity.	We reviewed the directors assessment of going concern and underlying sensitivities considered in the strategic report on pages 8 and 9. We reviewed the cash flow forecasts prepared by the management and compared with historic cash inflows and outflows and current working capital requirements in light of developments to the date of approval of the financial statements. We compared the forecasts provided by the management in prior years with the actual results to assess reliability of the information provided. Subsequent to the year end the group has sold its assets held for sale and realised cash proceeds of £1.7m. This has significantly improved the liquidity position. We reviewed the sale agreement and cash received in the bank.
Revenue recognition	Revenue recognition is considered to be a significant audit risk as it is the key driver of returns to investors and could be subject to management override.	Interest charged on the loans and leases portfolio held in Credit Asset Management Limited and Professions Funding Limited is based on the automatic calculations within their loans and leases system. We tested the operation and effectiveness of the key controls within this system and reviewed a sample of transactions to check it performs the calculation of interest correctly. We have recalculated the interest earned on loans to related parties by reference to the terms of the funding agreements with those entities. We recalculated the fee charged for managing the loans and leases portfolios of managed accounts based on the terms agreed with the relevant investors. In respect of trade finance income, for a sample of trades we recalculated the revenue recorded with reference to the terms within the trade agreement.

Risk area	Reason	Audit response
Impairment assessment of investment in subsidiaries	Credit Asset Management Limited and Professions Funding Limited the two main subsidiaries of the Company have incurred operating losses and in the absence of further funding these subsidiaries present significant challenges to the long term viability of the operations and to the realisable value of the group's investment in these businesses.	Management has estimated an exit value of the business in five years from the balance sheet date and discounted back to the present value. The exit value itself is based on estimated earnings multiple using future forecasts of the business. We reviewed the forecasts used in the calculation of the earnings and appropriateness of the multiple to the comparable data and transactions in the industry. We reviewed the appropriateness of the discount rate considering the market risks and risks specific in the business. We reviewed the past performance of the business and management's current sales strategy to check the appropriateness of the lending portfolio growth assumption. We reviewed the correspondence with the lenders to check appropriateness of the borrowing growth and the reduced cost of funds assumption. We checked the arithmetical accuracy of management's calculation.

The Audit Committee's consideration of these judgements is set out on page 12.

Purpose of this report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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 members 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 statement of directors' responsibilities, 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

The group audit team have responsibility for the audit of all components included in the consolidated financial statements.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated overleaf.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view.	• The value of total assets • The level of judgement inherent in the carrying values of the group assets • Potential impairment of investment carrying values	190,000
Performance materiality	Assessing sample sizes and selecting transactions and balances for testing.	• The likelihood of error within the population • The history of error	123,500

We agreed with the Audit Committee that we would report all audit differences in excess of £3,800, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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;
- the information given in the strategic report and 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

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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 pages 8 and 9, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Neil Fung-On (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London
United Kingdom

16 July 2015

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

Investor information and advisers

Financial calendar

We will hold our 2015 annual general meeting in September. The notice of meeting and proxy forms will be sent to shareholders in due course.

Half-year results (available online only) November 2015

Trading record (un-audited)

For the year ended 31 March	2011	2012	2013	2014	2015
Shareholders' attributable net profit/(loss) (£'000)	13	(1,433)	(1,551)	(3,427)	(1,416)
Earnings per share	0.12p	(8.24)p	(8.23)p	(17.33)p	(7.16)p
Dividends interim paid	0.50p	0.50p	0.33p	0.00p	0.00p
Dividends final proposed	1.00p	0.50p	0.00p	0.00p	0.00p
NAV per share attributable to shareholders	92.50p*	68.80p*	53.00p	34.40p	27.90p

* before final dividend

NAV per share is calculated on the number of shares in issue less those held in treasury and in the Employee Benefit Trust.

Share price information

The latest City of London Group plc share price can be found on www.londonstockexchange.com code CIN or via a link from our own website www.cityoflondongroup.com.

Announcements

Company announcements are carried on the Company's website at www.cityoflondongroup.com.

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For shareholder administration enquiries, including changes of address, please contact:

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