LSE: CIN

16 July 2015

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

Preliminary announcement of final results

The Company announces its audited final results for the year ended 31 March 2015.

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 a 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 today

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 £4.1m*)
- 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.

John Kent, Acting Chief Executive, commented**:**

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.

For further information:

City of London Group plc
John Kent (Acting Chief Executive) +44 (0)20 7634 9803
Howard Goodbourn (Chief Financial Officer) +44 (0)20 7634 9812

Notes to Editors:

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

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.

www.cityoflondongroup.com

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 today 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 focussed 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 £0.5m 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 48.8% (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 workings 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 stepped back up 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.

John Kent
Acting Chief Executive
16 July 2015

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

This report has been drawn up and presented with the purpose of complying with English law. Any liability arising out of or in connection with this report will be determined in accordance with English law.

Consolidated income statement
for the year ended 31 March 2015

	Note	31 March 2015 £'000		31 March 2014 £'000 (restated)	
	Note	**Continuing operations**	**Discontinued operations***	**Continuing operations**	**Discontinued operations***
Revenue		1,769	585	1,788	3,877
Cost of sales		(64)	(571)	(64)	(1,870)
Gross profit		1,705	14	1,724	2,007
Administrative expenses	5				
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		(39)	–	(105)	–
Provision for impairment of investments		(99)	–	(101)	–
Loss on legal case investments		(411)	–	(15)	–
Profit on loss of control of discontinued operations		–	–	–	1,791
Share of profits and losses of associates		(27)	–	50	(222)
Other income		316	–	106	219
(Loss)/profit from operations		(714)	3	(3,495)	1,344
Finance expense		(867)	–	(445)	(2,608)
(Loss)/profit before tax		(1,581)	3	(3,940)	(1,264)
Corporation tax	9	–	–	–	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 equity holders of the parent:					
Continuing operations	2	(7.17)p		(16.87)p	
Discontinued operations	2	0.01p		(0.46)p	
Total	2	(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".

Consolidated statement of comprehensive income

for the year ended 31 March 2015

	31 March 2015	31 March 2014
	£'000	£'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						
	Fair value reserve £'000	**Accumulated losses £'000**	**Share premium £'000**	**Share Capital £'000**	**Total £'000**	**Attributable to non-controlling interests £'000**	**Total equity £'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	–	–	–	–	–	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	-	-	-	--	-	(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.

Consolidated balance sheet
as at 31 March 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000
Assets			
Non-current assets			
Intangible assets		46	48
Property, plant and equipment		40	100
'Available-for-sale' financial assets	7	177	383
Interests in associates		890	1,127
Legal case investments		232	672
Loans		10,613	10,147
Finance leases		970	832
Total non-current assets		12,968	13,309
Current assets			
Loans		1,656	2,134
Finance leases		676	1,031
Trade and other receivables		903	2,025
Cash and cash equivalents		1,221	3,783
		4,456	8,973
Assets classified as held for sale		1,831	–
Total current assets		6,287	8,973
Total assets		19,255	22,282
Current liabilities			
Borrowings		(1,688)	(2,274)
Trade and other payables		(1,737)	(5,112)
Total current liabilities		(3,425)	(7,386)
Non-current liabilities			
Borrowings		(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	8	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		(1,154)	(986)
Total equity		4,371	5,827

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)
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)/ increase 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

	31 March 2015 £'000	**31 March 2014 £'000**
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

Notes

1 Basis of preparation

1.1 Preliminary announcement

The financial information contained in this preliminary announcement does not constitute full accounts as defined in section 434 of the Companies Act 2006 and has been extracted from the statutory accounts for the year ended 31 March 2015. The auditors have issued an unqualified report on these statutory accounts. The statutory accounts for the year ended 31 March 2014 have been filed with the Registrar of Companies and the statutory accounts for the year ended 31 March 2015 will be filed with the Registrar of Companies in due course.

This announcement has been prepared using recognition and measurement principles of IFRS as endorsed for use in the European Union (IFRS). This announcement does not contain sufficient information to comply with IFRS.

The same accounting and presentation policies were used in the preparation of the statutory accounts for the year ended 31 March 2014 except as stated below in sections 1.2 and 1.3.

1.2 Adoption of new standards and interpretations

The following amendments to existing standards became effective for the first time in the financial statements for the year ended 31 March 2015:

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.

1.3 Presentation changes

(a) Discontinued operations

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 Earnings per share

Basic 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. 426,996 shares were held by the Employee Benefit Trust at 31 March 2015 (2014: 426,996). The calculation of the basic and diluted earnings per share divides the loss by the weighted average number of shares of 19,780,000 (2014: 19,780,000).

3 Dividends

The directors do not recommend payment of a final dividend (2014: nil).

4 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)	711
	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	Operating (loss)/ profit	Share of profits and losses of associates	Finance expense	Pre-tax (loss)/profit
		£'000	£'000	£'000	£'000	£'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.

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		1,831
Platforms	Trade financing	6,154	
	Lease and professions financing	2,480	
	Legal case funding	158	
	Other	150	
			8,942
	Net liabilities		(2,920)
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.

5 Administrative expenses

	31 March 2015 £'000	31 March 2014 £'000
Staff costs		
Payroll	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

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.

6 Related party transactions and directors' remuneration

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.

Tables that summarise the main related party balances and transactions for both the Company and the Group are included in the financial statements to 31 March 2015.

A summary of the total remuneration for directors is given below:

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

The amount shown for Eric Anstee for the year ending 31 March 2014 is the total received up to his leaving date of 28 November 2013.
The benefits comprise health cover.

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.

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).

Payments for loss of office

In 2014 Eric Anstee received a payment of £30,000 as compensation for loss of office.

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.

Group related parties

The transactions of Group companies with related parties included:

Transactions of the Company

	Charged by City of London Group plc in year	Charged to City of London Group plc in year	Loans due to City of London Group plc at year end	Other amounts due to/ (from) City of London Group plc at year end	City of London Group plc investments in funds managed by associate at year end
	£'000	£'000	£'000	£'000	£'000
Year ended 31 March 2015					
Trade Finance Partners Limited	179	–	–	-	–
Therium Capital Management Limited	40	27	1,180	438	232
Year ended 31 March 2014					
Trade Finance Partners Limited	112	135	–	12	–
Therium Capital Management Limited	115	30	910	441	672

Transactions of other Group companies

	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.

7 'Available-for-sale' assets

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

8 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 at 31 March 2015 (2014: 426,996). The Company did not purchase any shares from the Trust during the year (2014: nil).

9 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)
Deferred tax		
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)

Deferred tax
Total unrecognised deferred tax assets of the Group were £1,709,000 (2014: £1,466,000).

10 Financial instruments – 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 appropriate valuation techniques.

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	Level3 £'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.

The movement on level 3 assets is as follows:

	2015 £'000	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

11 Risk statement

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.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

12 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.

In May 2015, the Group increased its shareholding in Trade Finance Partners Limited from 44.1% to 48.8% 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 Regulations. 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

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.