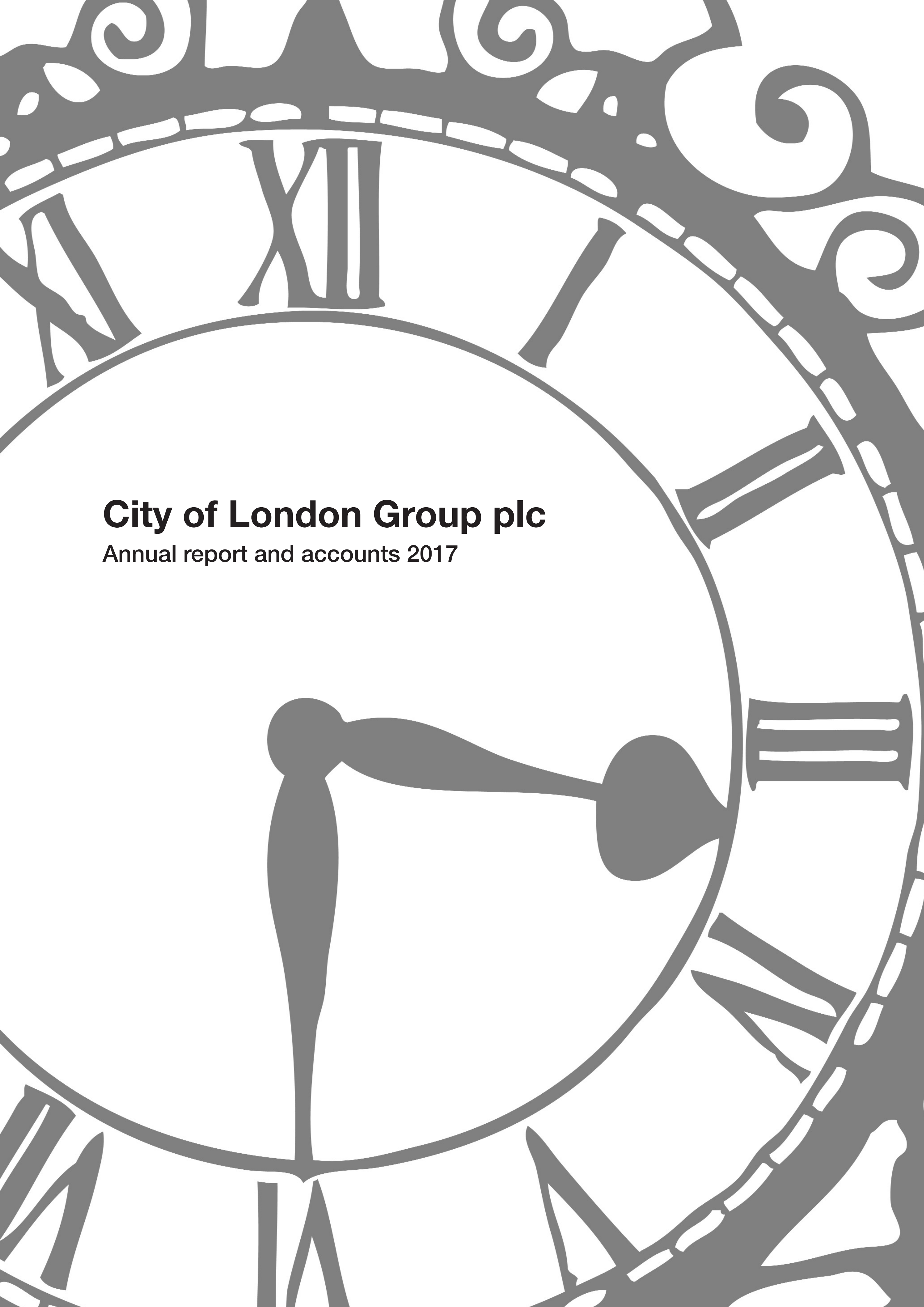

City of London Group plc

Annual report and accounts 2017

City of London Group plc

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 lease finance and loan finance.

Key Points

Business developments

- CAML to be retained, following strategic review
- CAML's results improve substantially with an operating profit before shareholder capital charges of £171k (2016: operating loss before shareholder capital charges of £217k)
- CAML's own book portfolio £13.8m at year end (2016: £13.7m) and new business volumes in March £1.1m following a period earlier in the year when new business volumes were constrained by the capital available
- Additional block funding facilities arranged for CAML to facilitate business development
- Group actively pursuing other opportunities to increase its financial strength and provide a platform for future development

Financial results

- Loss before tax £1.2m (2016: loss before tax £6.8m after losses of £7.2m relating to TFPL and a profit of £1.4m on the sale of Therium)
- Consolidated NAV per share attributable to shareholders 3p (2016: 6p)

Reports

Pages 2 to 7 comprise the Strategic report, pages 12 to 14 the Directors' Remuneration report and pages 15 to 17 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. Business review

Overview

During the year, the Group focused on maximising the value of its remaining investments, particularly in relation to Credit Asset Management Limited ("CAML"), its lease and professions funding platform.

The results for the Group show a loss before tax of £1.2m (2016: loss of £6.8m which included losses of £7.2m relating to TFPL (for impairment of the Group's investments and its share of losses) and a profit of £1.4m arising on the sale of Therium).

In the latter part of the year, the Group completed its examination of strategic options for CAML. The options of a sale of the CAML business and/or its loan book were ruled out. The Group has decided to retain CAML and, by arranging for an increase in the available block funding facilities, has taken steps to give CAML the ability to grow its business and achieve scale. Following the uncertainties caused by capital constraints in the first half of the year, CAML is now well-placed to move its business forward in the coming months.

The Group is actively pursuing other opportunities that, if successful, will increase the Group's financial strength and provide a solid base for future development.

The Group's associate, Trade Finance Partners Limited ("TFPL"), was put into administration on 29 March 2017. As previously reported, no amounts are expected to be available for equity and loan note holders or other unsecured creditors. Full provision has been made against all amounts owed to the Group by TFPL.

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

In the early part of the year, CAML benefitted from strong new business volumes before it had to scale back its operations due to capital constraints and concerns surrounding the events at TFPL. However, since the conclusion of the strategic review and the provision of additional block funding facilities, the position has stabilised and by the end of the year CAML's "own book" portfolio was marginally higher than at the beginning of the year.

In January 2017, CAML became a wholly-owned subsidiary of COLG and Martin Parsons became managing director when the other two executive directors left CAML.

The consolidated results of CAML and PFL for the year improved significantly, showing a loss of £0.2m (2016: loss £0.5m). The loss of £0.2m includes executive termination costs of £0.2m. The improvement in the results reflects the additional revenue arising from the increase in the "own book" portfolio in the previous year and strict control over costs.

City of London Group plc ("COLG")

The Company continued to keep a tight control on its underlying cost base during the year. The loss of £1.2m (2016: loss of £10.7m which included provisions for impairment of £7.2m relating to TFPL and £2.8m relating to CAML) includes £0.2m cost of a strategic review and £0.1m executive termination costs.

Since the year-end the Company has moved from its previous office after exercising break clause provisions in its lease. This will further reduce the underlying cost base going forward.

Trade Finance Partners Limited ("TFPL")

As previously reported, the Group's associate, TFPL, restricted its activities from the latter part of 2015/16 to maximize the recovery of advances previously made. It became clear that no amounts were expected to be available for equity and loan note holders or other unsecured creditors or for its preference shareholders and, on 29 March 2017, TFPL was put into administration.

Full provision has been made against all amounts owed to the Group by TFPL.

Dividend

The Board does not recommend payment of a dividend.

Outlook

The Group continues to focus on providing a sound foundation whereby the business of CAML and PFL, its lease and professions funding platform, can realise its underlying potential. It is actively pursuing business opportunities that, if achieved, will provide a solid base for the Group's future development.

2. Description of business activities

The Company is a closed-ended investment company and is listed on AIM (CIN). The Company's investments are companies in financial services sectors where major national and foreign banks have limited new lending to these borrowers.

During the year, the Company's investee companies operated one product 'platform' namely Credit Asset Management Limited (CAML), and its subsidiary Professions Funding Limited (PFL) which provide asset backed finance and commercial loans to SME's and loans to professional practice firms.

The Group's associate, TFPL, was put into administration in March 2017.

3. Business model

As in the past, the business model of the Group has had to evolve to reflect the availability of capital, changes in market conditions, and success of the investments seeded through COLG, the holding company of the Group. The model of COLG providing capital to new or early stage product 'platforms' will continue. While constraints on capital have restricted COLG's ability to do this in the recent past, our current strategy which is summarised below will facilitate future operation of our business model.

4. Strategy

Following the completion of the strategic review, the current strategy is twofold: to nurture the development of CAML so that it can achieve its full business potential and, concurrently, to actively pursue other opportunities in the financial services sector that will enhance the Group's financial strength and provide a base for future business developments.

5. Financial review

The table below shows a breakdown of the Group results:

Loss before tax	2017 £000	2016 £000
Holding company (2016 – excluding TFPL impairment and Therium related charges)	(1,089)	(452)
Provision for Impairment of the investment in and amounts owed by TFPL	–	(6,260)
Profit on disposal of Therium	–	1,398
Trade finance	–	(940)
Lease and professions financing	(179)	(541)
Other	81	31
	(1,187)	(6,764)

On a consolidated basis the key performance indicators for the Group are:

	31 March 2017	31 March 2016
Loss before tax	£(1,187)k	£(6,764)k
Consolidated net assets per share (attributable to owners of the parent)	3p	6p

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 2017	31 March 2016
Loss before tax	£(1,229)k	£(10,674)k
Net assets per share	3p	6p

The Company's loss in 2017 was substantially less than in 2016 which included one-time charges of £10,051k arising from the impairment of the Company's and the Group's investments. Operating costs in the first half of the year included one-off costs of £168k for the strategic review carried out by FCFM Group Limited and £148k for executive termination costs. Nonetheless, due to continuing tight controls on costs, operating costs for the year were slightly less than in 2016 at £1,042k compared with £1,070k. Finance costs were also lower than in 2016 due to the repayment of borrowings in 2015/16. However these reductions in costs were more than offset by a reduction in the Company's income.

The net assets per share have reduced as a result of this loss.

There was a small loss following the realisation of the residual natural resources investment portfolio. The year-end value of £8k related to one unlisted security.

The Company had legal case investments in two Therium LLPs of £132k at the year end.

Strategic report continued

6. Review of the lease & professions financing platform

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 its subsidiary 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 as well as commercial loans. CAML sources business for both disciplines through a national network of finance intermediaries.

In January 2017, CAML became a wholly-owned subsidiary of COLG.

(b) Financial review
A summary of the financial performance of CAML and PFL is set out in the table below:

£000	31 March 2017	31 March 2016
Revenue	2,403	1,820
Operating profit/(loss) before shareholder capital charges	171	(217)
Loss before tax	(179)	(541)

CAML's results show a significant improvement with a reduction in its loss before tax to £0.2m (2016: loss £0.5m). The improvement results from increased revenue arising from the increased size of the "own book" portfolio made possible by the additional funds introduced on CAML's capital restructuring in July 2015, combined with strict control of costs during the year. The results include termination costs of £197k relating to two directors, who left in January 2017.

The key performance indicators are book size and new business levels.

The size of the "own book" portfolio increased slightly over the year to £13.8m (2016: £13.7m). New business volumes were strong in the first months of the year with a peak of £2.6m in April but due to capital constraints affecting available funding levels, these subsequently declined to less than £1m in September. However, the position has stabilised subsequently and new business volumes have increased, exceeding £1.1m in March. Yields have held up particularly for loans although there is continuing pressure on lease yields.

The size of the managed joint venture fund between COLG and British Business Bank Investments Limited, which entered its amortisation phase in April 2016 when it stopped accepting new business, reduced from £7.5m to £3.2m over the year.

As a result of capital constraints in the first half of the year, CAML scaled back its activities and reduced its cost base. The head count which had increased to 17 at the start of the year returned to 9 during the year.

Other
The results from other investments show a profit of £81k (2016: profit of £31k). The results include the profit from the regulated subsidiary, City of London Financial Services Limited.

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 is set out below together with their mitigation strategies.

Credit risk

Credit risk particularly arises in CAML. 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 all cases there is a well-defined process for approval including credit committees with specific delegated powers.

Interest rate risk

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.

Legal and regulatory risk

This risk arises in various ways but the risk of non-compliance with FCA regulations is considered low as limited business falling within this environment is undertaken. City of London Financial Services Limited, which is ranked in the lowest risk category by the FCA, is now undertaking the activity of 'Operator' only for the two CAML limited partnerships, generating income of a few thousand pounds. CAML itself has full permission to operate under the FCA consumer credit regulations. CAML, which lends only to businesses, is regulated for those businesses that fall within the Consumer Credit Act. The risk of non-compliance by CAML is considered low as these regulated activities constitute only a minor part of its overall revenue.

The risk of other legal and regulatory non-compliance (including non-compliance with the AIM rules) is mitigated by the use of external advisers, whose appointment and terms of reference are, as appropriate, agreed after consultation with the board.

Cash flow

There is a risk that the strategy for CAML does not develop as planned and it may require further working capital funding from COLG. It has an annual budget including a budgeted funding requirement. There are some mitigations which can be invoked by it to reduce working capital including cost cutting and managing the portfolio growth.

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 platform finding it difficult to invest at the planned yields. This risk is mitigated by specialist expertise 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.

People/succession

There is a risk that key management are poached or leave the business which would compromise the business. As a mitigation management is incentivised with equity and bonuses comparable with the market.

Strategic report continued

8. Going concern

The directors have reviewed in detail the monthly cash flow forecast for the period to 31 December 2018.

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 December 2018 sufficient working capital headroom is forecast to be available under the £4.4m loan facility. The debt facilities of the Company currently comprise:

(i) £4.4m loan facility of which £1.0m was drawn at the end of June 2017. This facility expires on 31 December 2018; and

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

The key assumptions around the cash flow are that the Company will be able to refinance amounts drawn under its current debt facilities prior to their expiry on 31 December 2018.

Other key assumptions include the receipt of funds over the period from the legal case investments equal to their book value of £132k. The quantum payable to the landlord of its previous office premises for dilapidations has been assumed.

It is assumed there will be no recovery of amounts invested in TFPL.

CAML/PFL

It is assumed the Company will not be required to provide any further working capital to CAML and that CAML will be able to secure sufficient third party funding to enable the planned development of its business.

Risk factors

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

- The planned development of the CAML business is not achieved.
- The non-receipt of funds from the direct legal investments.
- The quantum payable for dilapidations.

Conclusion

After consideration of the above cash flow risk factors and the projected available headroom under the loan facility in the period to December 2018 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.

Health and Safety

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

Directors and employees

The Company has two male directors. The Group has one male senior manager (who is a director 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

Paul Milner
Director
4 July 2017

Directors' biographies

Paul Milner – Chairman Non-executive (non-independent)

Paul was appointed to the Board in November 2013 and became chairman in October 2015. 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.

Andrew Crossley – Non-executive (independent)

Andy was appointed to the Board in October 2015 as the Senior Independent Director and is now chairman of the Audit and risk committee. Andy is currently the Managing Director of Stockdale Securities Ltd (previously Westhouse Securities Ltd) having left Peel Hunt LLP in 2015, where he spent four years as Head of Corporate Sales and subsequently Head of ECM/Syndicate. At Peel Hunt LLP Andy had both a financial advisory and execution role and sat at the interface between corporate clients and investing institutions. Prior to his move to the sell side Andy spent 24 years, principally at Invesco Perpetual, as one of the UK's best known UK small cap fund managers. Andy currently sits on the AIM Advisory Group and brings a wealth of corporate governance and capital markets expertise to the Company.

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. As the Company is listed on the Alternative Investment Market ("AIM"), it is not required to follow the provisions of any governance code. However the Board of Directors believes the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council to be a suitable benchmark for the Company and has considered this when determining its governance arrangements.

This report describes how the Company has applied relevant provisions of the Code.

Main principles

The Company has followed particular principles of the Code as set out below:

Leadership

The Board is currently comprised of two directors, both of whom are non-executive and one of whom is independent. The Board is chaired by Paul Milner. Andy Crossley is the Senior Independent Director with whom shareholders may raise concerns if their normal communication channels with the Company are not appropriate. The Company has not complied with the Code provision that companies 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 making appointments to the Board and other offices.

Details of board committees are given below.

Effectiveness

The directors

Biographical details of the directors are set out on page 8. The directors have a broad range of skills and experience and receive updates on relevant legal and regulatory changes.

The directors will retire and stand for re-election at the AGM. 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.

Board procedures

The Board meets at least 6 times each year as well as at other times when required. Prior to each scheduled meeting, comprehensive papers, which include regular business updates and management accounts, are prepared and issued. Discussion papers are circulated in advance of the need for Board approval of particular transactions to allow sufficient time for considered debate and decision. All significant decisions are taken at Board level.

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.

Audit and risk committee report

The current members of the committee are Andrew Crossley and Paul Milner, who were members throughout the financial year. Andrew Crowe, who had recent and relevant financial experience, was a member of and chaired the committee prior to his resignation after which Andrew Crossley became committee chairman.

Financial results

The committee reviewed the full and half year financial results before they were considered by the Board for release to the market, including the going concern statement and the information to support it. The committee was 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 further provisions were required in relation to the carrying value of investments.

The above risks were discussed with the auditors at the audit and risk committee.

Corporate governance statement continued

External auditors

The committee considered 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 37.

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.

Board review of internal controls and risk management

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.
- A COLG director attends the board meetings of CAML and reviews its monthly management accounts.
- Regular audit reports commissioned by third party lenders to CAML.
- 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 54 and 55. The directors' statement on going concern is on page 6.

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 12 to 14.

No director is involved in discussions or decisions on their own remuneration. The remuneration committee, which determined the remuneration packages of the executive directors, was made up of Andrew Crowe, Andrew Crossley and Paul Milner. The current members of the committee are Paul Milner (chair) and Andrew Crossley.

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.

Due to the changing circumstances of the Group, the remuneration committee did not meet during the year.

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	
	Attended	**Eligible to attend**	**Attended**	**Eligible to attend**
A J Crossley	11	11	2	2
A Crowe	3	3	1	1
J Granite	3	3	–	–
J Kent	1	1	–	–
P Milner	11	11	2	2

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

As the Company is listed on AIM, there is no requirement for compliance with the Code. However, the Board seeks to comply with the Code as far as practicable. This will be kept under review.

Lorraine Young
Company Secretary
4 July 2017

Directors' Remuneration report

Annual Report on Remuneration

Remuneration committee

The remuneration committee was 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 until his resignation as a director of the Company), Andrew Crossley (Committee Chairman following Andrew Crowe's departure) 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 did not meet during the year due to the changing circumstances in the Group.

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 executive directors under the deferred incentive plan during the year. For part of the year, the executive directors were on part time contracts.

Remuneration policy overview

At present there are no executive directors and no employees. When that situation changes, the remuneration committee will consider and recommend to the board an appropriate remuneration policy.

Remuneration of Executive Directors

Elements of remuneration

During the year, the executive directors' total remuneration consisted of base salary. There were no awards under the bonus plan and all previous awards under the deferred incentive plan have now lapsed.

Base salary

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.

Annual performance-related bonus

An annual bonus plan was introduced during 2013. The plan has not been used and as there are no executive directors or employees there are no plans to make awards under it.

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. The terms of the scheme were disclosed in the financial statements for the year to 31 March 2015.

No awards have vested during the current year since none of the performance targets have been met.

For each of the financial years ended 31 March 2017 and 31 March 2016 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

The terms of this scheme were disclosed in the financial statements for the year to 31 March 2015. No awards have vested during the period.

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 14. All fixed price options have now lapsed.

Single total figure of remuneration for each director

Directors' remuneration as a single figure for years ended 31 March 2017 and 2016.

Executive directors

	Jason Granite (a)		John Kent		Howard Goodbourn	
	2017 £	2016 £	2017 £	2016 £	2017 £	2016 £
Salary	7,000	–	6,626	105,571	–	83,835
Payment in lieu of notice	–	–	47,250	–	–	41,358
Compensation for loss of office	–	–	30,000	–	–	30,000
All taxable benefits	–	–	195	2,244	–	2,167
Total	7,000	–	84,071	107,815	–	157,360

(a) Jason Granite is a director of FCFM Group Limited which received £168,000 for consultancy services provided to the Group during the year (2016: nil).

Non-executive directors

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Paul Milner	27,500	27,500
Andrew Crossley (a)	27,500	12,360
Andrew Crowe	10,349	27,500

(a) The remuneration for A Crossley was paid to Stockdale Securities Ltd.

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 31 March 2017	At 31 March 2016
A Crossley	–	–
P Milner	95,188	95,188

Shares held by EBT

426,996 shares were held by the Employee Benefit Trust at 31 March 2017 (2016: 426,996).

Directors' Remuneration report continued

Share options

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

	Date of Grant	At 01/04/2016	Granted in year	Exercised in year	At date of resignation	Exercisable from	Exercisable to	Exercise price
J Kent	11/02/2010	70,000	–	–	70,000	11/11/2012	31/10/2016	55.8p

The market price of the Company's ordinary shares on 31 March 2017 was 3.5p (2016: 7.5p) and the average price for the year was 5.0p. During the year the highest price reached was 11.25p and the lowest was 2.875p.

Service contracts

Details of executive directors' service contracts are shown below.

Director	Date of contract	Unexpired term	Notice period	Compensation payable on early termination
J Granite	July 2016	1 month rolling	1 month	contractual
J Kent	December 2010	12 months rolling	6 months	contractual

Both service contracts have now ended.

The non-executive directors have letters of appointment, details of which are shown below.

Director	Date of letter of Appointment	Unexpired term	Notice period	Compensation payable on early termination
A Crossley	August 2015	28 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.

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

Paul Milner
Chairman of remuneration committee
4 July 2017

Directors' report

This is the Directors' report for the year to 31 March 2017.

Results and dividends

The results for the Group are set out on page 18. No dividends were declared during the year (2016: nil).

Events since the year end

There are no reportable post balance sheet events to be disclosed.

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. 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.

Directors and their interests

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

A J Crossley (resigned on 17 August 2016 and reappointed on 23 August 2016)
A J Crowe (resigned on 17 August 2016)
J P Granite (appointed on 18 April 2016 and resigned on 22 August 2016)
J C W Kent (resigned on 30 April 2016)
P G Milner

Biographical details of the current directors are given on page 8.

Directors' interests in the shares of the Company are shown in the Directors' Remuneration report on page 13.

Share capital

The issued share capital of the Company throughout the financial year was 36,852,681 ordinary shares of 10p each.

Directors' report continued

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 4 July 2017	**%**
Helium Special Situations Fund	5,779,428	15.7
Cain Hoy Enterprises, LLC	2,933,473	7.9
McCourt Shoreditch CoLG LLC	2,933,473	7.9
Tania Bard	2,190,514	5.9
Alexander Bard	2,134,014	5.8
John Greenhalgh's estate (a)	1,963,033	5.3
Sarah Bard	1,704,356	4.6
Rebecca Bard	1,684,356	4.6
A Crowe	1,603,030	4.3
AXA IM UK	1,506,024	4.1
Galliard Holdings Limited	1,466.737	4.0
The BL & RB Foundation	1,325,000	3.6
Jupiter Asset Management	1,204,819	3.3

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

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 54 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 the general meeting to be held on 24 August 2017.

Annual General Meeting

This year's annual general meeting will be held at 9.00 am on 24 August 2017 at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR. Notice of the meeting can be found on pages 56 to 57 of this document.

Explanation of business

The following is an explanation of the business to be considered at the annual general meeting.

Resolution 1 – report and accounts – Company law requires the directors to present the Company's annual report and accounts to the shareholders in respect of each financial year.

Resolutions 2 and 3 – re-election of directors – Under the recommended best practice set out in the UK Corporate Governance Code, all of the directors should retire and submit themselves for re-election at each AGM. The directors have decided to follow this best practice guidance and therefore they are all standing for re-election.

Resolution 4 – reappointment of auditors and determination of their fees – Company law requires shareholders to reappoint the auditors each year. The audit and risk committee has reviewed the effectiveness, independence and objectivity of the external auditors and, on behalf of the Board of directors, recommends the external auditors' reappointment. The resolution also authorises the directors to determine the auditors' remuneration in accordance with normal practice.

Resolution 5 – authority to allot shares – This resolution asks shareholders, by ordinary resolution, to authorise the directors under section 551 of the Companies Act 2006 ("the Act") to allot unissued shares and to grant rights to subscribe for, or to convert any security into, shares in the Company. This authority will, if granted, expire, unless previously revoked, renewed or varied, at the conclusion of next year's AGM, or, if earlier, on 30 September 2018, although offers or agreements can be made before the expiry of that period, which might require shares to be allotted or rights granted after the expiry of that period. In accordance with investor guidelines, this authority, if approved, will be limited to a maximum nominal amount of £1,228,423, representing a maximum of 12,284,230 ordinary shares of 10 pence each, equivalent to approximately one third of the issued capital of the Company as at 27 July 2017 being the latest practicable date prior to the publication of this document. The directors believe that they should have the authority proposed in the resolution to enable such allotments to take place to finance business opportunities as they arise.

Resolution 6 – disapplication of pre-emption rights for the issue of new shares – If the directors wish to allot new shares and other equity securities for cash, the Act requires that any such shares are offered first to existing shareholders in proportion to their holdings. This is known as shareholders' pre-emption rights. There may be occasions, however, when the directors need the flexibility to finance business opportunities as they arise without offering securities on a pre-emptive basis. The Act allows a limited disapplication of these pre-emption rights in certain circumstances. Therefore, this resolution, which will be proposed as a special resolution, authorises the directors to issue, for cash, up to a total nominal amount of £368,527 in ordinary shares (that is 3,685,270 ordinary shares of 10 pence each), equivalent to approximately 10 per cent of the issued share capital of the Company (as at 27 July 2017), without the shares first being offered to existing shareholders. This resolution will be proposed subject to resolution 5 (referred to above) first being carried at the meeting and the authority sought, if granted will be for the same period as that granted under resolution 5.

Resolution 7 – authority for the Company to make market purchases of its own shares – The Act permits market purchases of shares subject to certain defined limits and there being distributable profits available for the purchase. Shareholder approval is required before such purchases can be made. This special resolution provides the required authority. This resolution is seeking to authorise the Company to make market purchases of its own shares up to a maximum amount of 3,685,270 ordinary shares. This represents 10 per cent of the Company's issued capital at 27 July 2017.

The maximum price paid per share shall be equal to 5 per cent above the average market values of the shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date on which the share is purchased. The minimum price paid shall be the nominal value per share. The directors will only use this authority to purchase shares after careful deliberation, taking into account market conditions, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. The directors will also take into account the effects on earnings per share and the benefit for shareholders generally. Any shares bought by the Company under this authority will either be held in treasury, with a view to possible re-issue at a future date, or cancelled. The directors will decide at the time of purchase whether to cancel shares immediately or to hold them in treasury. In relation to treasury shares, the Board would also have regard to any investor guidelines in relation to the purchase of shares intended to be held in treasury or in relation to their holding or resale which may be in force at the time of any such purchase, holding or resale. This authority will expire, unless previously revoked, renewed or varied, at the conclusion of next year's AGM or on 30 September 2018, whichever is earlier.

Serious loss of capital

Under the provisions of section 656 of the Act, where the assets of a company are half or less of its called up share capital the directors must call a general meeting of the company to consider whether any, and if so what, steps should be taken to deal with the situation. As can be seen from the accounts for the year ended 31 March 2017, at the year end the paid-up share capital was £3,685,000 and the amount of the net assets of the Company was £983,000. These are therefore circumstances to which section 656 applies. Accordingly, the directors will include the consideration of the loss of capital as an item of business at this year's AGM.

Voting

A form of proxy is included at the end of this document for use at the annual general meeting. Please complete, sign and return it as soon as possible in accordance with the instructions on it, whether or not you intend to come to the annual general meeting. Returning a form of proxy will not prevent you from attending the meeting and voting in person if you wish. A form of proxy should be returned so that it is received not less than 48 hours (excluding non-working days) before the time of the annual general meeting.

By order of the Board

Lorraine Young
Company Secretary
4 July 2017

Consolidated income statement

for the year ended 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
Revenue	4	2,569	2,534
Cost of sales	4	(42)	(51)
Gross profit		2,527	2,483
Administrative expenses	6	(2,579)	(2,512)
(Loss)/profit on sale of investments	7	(81)	2
Provision for impairment of investments	7	(41)	(51)
Profit on the disposal of assets classified as held for sale	17	–	1,398
Share of profits and losses of associates	17	78	(898)
Provision for impairment of the investment in and amounts owed by TFPL	17	–	(6,260)
Other income	8	138	326
Profit/(loss) from operations		42	(5,512)
Finance expense	10	(1,229)	(1,252)
Loss before tax		(1,187)	(6,764)
Corporation tax	11	–	–
Loss for the year		(1,187)	(6,764)
Loss for the year attributable to:			
Owners of the parent		(1,152)	(6,646)
Non-controlling interests		(35)	(118)
Loss for the year		(1,187)	(6,764)
Basic and diluted earnings per share attributable to owners of the parent:	13	(3.16)p	(24.36)p

The group had no discontinued operations in either 2017 or 2016.

Consolidated statement of comprehensive income

for the year ended 31 March 2017

	31 March 2017 £'000	31 March 2016 £'000
Total loss for the year	(1,187)	(6,764)
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	(43)	(20)
– Provision for impairment transferred to income statement	41	51
– Loss/(profit) on sale transferred to income statement	78	(2)
Other comprehensive income from continuing operations	76	29
Total other comprehensive income	76	29
Total comprehensive expense from continuing operations	(1,111)	(6,735)
Total comprehensive income from discontinued operations	–	–
Total comprehensive expense	(1,111)	(6,735)
Total comprehensive expense attributable to:		
Owners of the parent	(1,076)	(6,617)
Non-controlling interests	(35)	(118)
	(1,111)	(6,735)

Consolidated statement of changes in equity

	Attributable to owners of the parent company					Attributable to	
	Fair value reserve £'000	Accumulated losses £'000	Share premium £'000	Share capital £'000	Total £'000	non-controlling interests £'000	Total equity £'000
At 31 March 2015	(105)	(7,888)	11,497	2,021	5,525	(1,154)	4,371
'Available-for-sale' investments							
– Valuation losses taken to equity	(20)	–	–	–	(20)	–	(20)
– Provision for impairment transferred to income statement	51	–	–	–	51	–	51
– Profit on sale transferred to income statement	(2)	–	–	–	(2)	–	(2)
Net income recognised directly in equity	29	–	–	–	29	–	29
Loss for the year – continuing operations	–	(6,646)	–	–	(6,646)	(118)	(6,764)
Total comprehensive income	29	(6,646)	–	–	(6,617)	(118)	(6,735)
Contributions by and distributions to owners							
Value of employee services	–	20	–	–	20	–	20
Issue of shares	–	–	2,835	1,664	4,499	–	4,499
Total contributions by and distributions to owners	–	20	2,835	1,664	4,519	–	4,519
Reduction in non-controlling interests (note 26)	–	(1,218)	–	–	(1,218)	1,172	(46)
At 31 March 2016	(76)	(15,732)	14,332	3,685	2,209	(100)	2,109
'Available-for-sale' investments							
– Valuation losses taken to equity	(43)	–	–	–	(43)	–	(43)
– Provision for impairment transferred to income statement	41	–	–	–	41	–	41
– Loss on sale transferred to income statement	78	–	–	–	78	–	78
Net income recognised directly in equity	76	–	–	–	76	–	76
Loss for the year – continuing operations	–	(1,152)	–	–	(1,152)	(35)	(1,187)
Total comprehensive income	76	(1,152)	–	–	(1,076)	(35)	(1,111)
Contributions by and distributions to owners	–	–	–	–	–	–	–
Reduction in non-controlling interests (note 26)	–	(135)	–	–	(135)	135	–
At 31 March 2017	–	(17,019)	14,332	3,685	998	–	998

(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 2015	(105)	(5,151)	11,497	2,021	8,262
'Available-for-sale' investments					
– Valuation losses taken to equity	(20)	–	–	–	(20)
– Transferred to provision for impairment	51	–	–	–	51
– Transferred to profit or loss on sale	(2)	–	–	–	(2)
Net income recognised directly in equity	29	–	–	–	29
Loss for the year	–	(10,674)	–	–	(10,674)
Total income and expense for the year	29	(10,674)	–	–	(10,645)
Value of employee services	–	20	–	–	20
Issue of shares	–	–	2,835	1,664	4,499
Total contributions by and distributions to owners	–	20	2,835	1,664	4,519
At 31 March 2016	(76)	(15,805)	14,332	3,685	2,136
'Available-for-sale' investments					
– Valuation losses taken to equity	(43)	–	–	–	(43)
– Transferred to provision for impairment	41	–	–	–	41
– Transferred to profit or loss on sale	78	–	–	–	78
Net income recognised directly in equity	76	–	–	–	76
Loss for the year	–	(1,229)	–	–	(1,229)
Total income and expense for the year	76	(1,229)	–	–	(1,153)
Contributions by and distributions to owners	–	–	–	–	–
At 31 March 2017	–	(17,034)	14,332	3,685	983

Consolidated balance sheet

as at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	16	27
'Available-for-sale' financial assets	16	8	151
Interests in associates	17	224	146
Legal case investments	18	132	138
Loans	19	4,665	9,005
Finance leases	19	2,916	2,477
Total non-current assets		7,961	11,944
Current assets			
Loans	19	5,054	5,446
Finance leases	19	2,211	1,635
Trade and other receivables	20	1,225	810
Cash and cash equivalents	21	1,763	2,497
Total current assets		10,253	10,388
Total assets		18,214	22,332
Current liabilities			
Borrowings	22	(5,160)	(3,935)
Trade and other payables	22	(1,685)	(3,051)
Total current liabilities		(6,845)	(6,986)
Non-current liabilities			
Borrowings	23	(10,371)	(13,237)
Total non-current liabilities		(10,371)	(13,237)
Total liabilities		(17,216)	(20,223)
Net assets		998	2,109
Equity			
Share capital	25	3,685	3,685
Share premium		14,332	14,332
Accumulated losses		(17,019)	(15,732)
Fair value reserve		–	(76)
Equity attributable to owners of the parent		998	2,209
Non-controlling interests	26	–	(100)
Total equity		998	2,109

The notes on pages 27 to 53 are an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 4 July 2017.

They were signed on its behalf by

Paul Milner
Director

Company balance sheet

as at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	2	9
'Available-for-sale' financial assets	16	8	151
Investment in subsidiary companies	17	2,160	2,160
Legal case investments	18	132	138
Loans	19	–	1,274
Total non-current assets		2,302	3,732
Current assets			
Loans	19	785	32
Trade and other receivables	20	627	529
Cash and cash equivalents	21	238	226
Total current assets		1,650	787
Total assets		3,952	4,519
Current liabilities			
Trade and other payables	22	(1,941)	(1,995)
Total current liabilities		(1,941)	(1,995)
Non-current liabilities			
Borrowings	23	(1,028)	(388)
Total non-current liabilities		(1,028)	(388)
Total liabilities		(2,969)	(2,383)
Net assets		983	2,136
Equity			
Share capital	25	3,685	3,685
Share premium		14,332	14,332
Accumulated losses		(17,034)	(15,805)
Fair value reserve		–	(76)
Total equity		983	2,136

The parent company's loss after tax for the financial year amounts to £1,229,000 (2016: loss £10,674,000).

The notes on pages 27 to 53 are an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 4 July 2017.

They were signed on its behalf by

Paul Milner
Director

Consolidated statement of cash flows

for the year ended 31 March 2017

	31 March 2017 £'000	31 March 2016 £'000
Cash flows from operating activities		
Loss before tax	(1,187)	(6,764)
Adjustments for:		
Depreciation and amortisation	16	36
Share-based payments	–	20
Impairment of 'available-for-sale' financial assets	41	51
Loss/(profit) on disposal of 'available-for-sale' financial assets	81	(2)
Share of profits and losses of associates	(78)	898
Provision for impairment of the investment in and amounts owed by TFPL	–	6,260
Profit on the disposal of assets classified as held for sale	–	(1,398)
Interest payable	1,229	1,252
Changes in working capital:		
(Increase) in trade and other receivables	(415)	(724)
(Decrease)/increase in trade and other payables	(1,508)	1,334
Proceeds from sale of 'available-for-sale' financial assets	97	5
Leases advanced	(3,717)	(4,118)
Leases repaid	2,702	1,702
Loans advanced	(10,510)	(15,875)
Loans repaid	11,838	8,958
Loans repaid by related parties	3,000	300
Cash generated from/(used in) operations	1,589	(8,065)
Corporation tax	–	–
Net cash generated from/(used in) operating activities	1,589	(8,065)
Cash flow from investing activities		
Disposal of assets classified as held for sale, including part repayment of deferred consideration	404	2,216
Return of seed capital in legal case investments	6	94
Distribution of profits from related parties	–	39
Purchase of property, plant and equipment	(6)	(23)
Proceeds from sale of equipment	1	–
Purchase of preference shares in subsidiary	–	(2,010)
Purchase of additional shares in related company	–	(193)
Net cash generated from investing activities	405	123

	31 March 2017 £'000	31 March 2016 £'000
Cash flow from financing activities		
Proceeds from issue of ordinary shares	–	4,499
Proceeds from the issue of preference shares by subsidiary	–	5,000
Loans drawn down	9,897	17,888
Repayment of loans	(11,538)	(16,863)
Interest paid	(1,087)	(1,306)
Net cash (used in)/generated from financing activities	(2,728)	9,218
Net (decrease)/increase in cash and cash equivalents	(734)	1,276
Cash and cash equivalents brought forward	2,497	1,221
Net cash and cash equivalents	1,763	2,497
Cash and cash equivalents	1,763	2,497
Bank overdraft	–	–
Net cash and cash equivalents	1,763	2,497

Company statement of cash flows

for the year ended 31 March 2017

	31 March 2017 £'000	31 March 2016 £'000
Cash flows from operating activities		
Loss before tax	(1,229)	(10,674)
Adjustments for:		
Depreciation	7	30
Share based payments	–	20
Impairment of 'available-for-sale' financial assets	41	51
Loss/(profit) on disposal of 'available-for-sale' financial assets	81	(2)
Provision for losses in subsidiaries	127	7,096
Impairment of investments in subsidiaries	–	2,967
Provision for amounts owed by related parties	21	82
Interest payable	184	296
Changes in working capital:		
Increase in trade and other receivables	(125)	(251)
(Decrease)/increase in trade and other payables	(65)	96
Proceeds from sale of 'available-for-sale' investments	97	5
Net cash used in operating activities	(861)	(284)
Cash flow from investing activities		
Disposal of assets classified as held for sale, including part repayment of deferred consideration	404	2,216
Loan repaid by third party	–	50
Return of seed investment in legal case investments	6	94
Purchase of preference shares in subsidiary	–	(2,010)
Purchase of property, plant and equipment	–	(1)
Net cash generated from investing activities	410	349
Cash flow from financing activities		
Loans drawn down	640	400
Proceeds from issue of ordinary shares	–	4,499
Loans and notes repaid	–	(4,356)
Interest paid	(177)	(572)
Net cash generated from/(used in) financing activities	463	(29)
Net increase in cash and cash equivalents	12	36
Cash and cash equivalents brought forward	226	190
Net cash and cash equivalents	238	226
Cash and cash equivalents	238	226
Bank overdraft	–	–
Net cash and cash equivalents	238	226

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 6th Floor, 60 Gracechurch Street, London EC3V 0HR. The Company is listed on AIM.

City of London Group plc is a closed-ended investment company with investments in the financial services sector. 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 4 July 2017.

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 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 page 6.

At the date of authorisation of these financial statements, the following standards which have not been applied in these financial statements were in issue but not yet effective. These standards, which are effective for annual periods beginning on or after 1 January 2018, unless otherwise stated, have yet to be endorsed by the EU.

IFRS 9 'Financial Instruments' – Introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting.

IFRS 15 'Revenue from Contracts with Customers' – Provides a single model for measuring and recognising revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. It supersedes all existing revenue requirements in IFRS.

IFRS 16 'Leases' – Provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting. This standard is effective for accounting periods beginning on or after 1 January 2019.

The Group is in the process of assessing the potential impact of these standards on the Group's earnings or shareholders' funds in future years. The impact of adopting these standards cannot be reliably estimated until this assessment has been substantially completed.

2.2 Adoption of new standards and interpretations

There are no new accounting standards or interpretations that have been adopted for the first time in these financial statements.

2.3 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.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but are 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.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

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.

2.4 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.

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.

2.5 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.

2.6 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.

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.

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

2.7 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.

2.8 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.

2.9 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, as appropriate, disclosed separately in the income statement or recognised within 'administrative expenses'.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

(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.

Amounts due under finance leases and hire purchase agreements are recognised initially at fair value and, subsequently, are measured at an amortised cost that reflects a constant periodic rate of return on the net investment outstanding, less a provision for impairment which is assessed on an individual basis by reference to past default experience and other recoverability information relating to the specific agreement. The amount of the provision is, as appropriate, disclosed separately in the income statement or recognised within 'administrative expenses'.

(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.

(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 income statement 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 Revenue

Revenue comprises dividend and interest income and investment management fees and arrangement 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.

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.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

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.

2.19 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.

2.20 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.

2.21 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 are considered an integral part of the grant itself and are charged to the income statement at the time of vesting of the awards.

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.

2.22 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 costs 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.

2.23 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.

2.24 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 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.

The Group had one active investment platform, CAML, during the year.

CAML, which became a wholly-owned subsidiary in January 2017, has its own management and operations and an opportunity and risk profile unique to its business. The events at TFPL in the latter part of the year to 31 March 2016 adversely affected the development of the CAML business in the current year, as the availability of funds to generate planned growth was severely impacted. CAML, which had demonstrated strong growth in the latter part of 2015/16, had to scale back its activities in the first half of the year due to capital constraints. The position stabilised during the year and CAML is now well placed to achieve growth in the future. Having considered these factors as part of the annual reassessment of the fair value of CAML, the directors have concluded that there has been no change in its fair value since 31 March 2016 and, accordingly, the Company's investment in CAML is carried at the same value as in the previous year.

The fair value of its investment in TFPL, which went into administration on 29 March 2017, is nil.

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 current position of their operating businesses.

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.

Notes to the financial statements continued

3 Judgements and estimates continued

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).

Dilapidations

The Company exercised break-clause provisions contained in the lease of its office premises during the year and, accordingly, its lease terminated on 28 May 2017. The amount payable for dilapidations has not yet been agreed with the landlord. The accounts include an estimate for dilapidations which was made after taking professional advice: the estimate is based on a comparable lease.

Impairment of finance leases, hire purchase agreements and loans

For finance leases, hire purchase agreements and loans, the provision for impairment is determined on an individual basis by reference to past default experience and other recoverability information relating to the specific agreement, with recoverable amounts being assessed by reference to the expected future cash flows. The assessment covers a range of elements, including an assessment of any change to the credit quality of the customer, analysis of delinquency history both at the individual customer level and by relevant sectors, such as customer and asset type. Data available from credit rating agencies and generally available information in the public domain is also taken into account when assessing impairment levels required. As the portfolio matures, ongoing analysis of the adequacy of previously taken impairment provisions is made to assess the effectiveness of the impairment process and the adequacy of provision levels: amendments to the impairment process are made as required. 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 provision at the balance sheet date, with movements in the provision being included in the income statement. 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.

4 Revenue and cost of sales

Revenue	**31 March 2017 £'000**	**31 March 2016 £'000**
Interest receivable	165	793
Dividends receivable	–	7
Income from investments	165	800
Investment management fee income	285	264
Lease and loan interest	2,051	1,384
Arrangement fees	68	86
Total revenue	2,569	2,534

Cost of sales	**31 March 2017 £'000**	**31 March 2016 £'000**
Commissions and introduction fees	42	51
Total cost of sales	42	51

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 Group is managed through its operating platforms: lease and professions financing and, in prior periods, trade financing and legal case funding. A description of the activities of each platform 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 2017

		Revenue £'000	Operating profit/(loss) £'000	Share of profits and losses of associates £'000	Finance expense £'000	Profit/(loss) before tax £'000
COLG	Intra-Group	140	233	–	(116)	117
	Other	7	(1,138)	–	(68)	(1,206)
		147	(905)	–	(184)	(1,089)
Platforms	Lease and professions financing					
	CAML/PFL	2,403	826	–	(1,005)	(179)
	Other	275	275	78	(296)	57
	Legal case funding	–	13	–	–	13
	Other	–	11	–	–	11
	Intra-Group	(256)	(256)	–	256	–
		2,569	(36)	78	(1,229)	(1,187)

The Profit from operations in the Consolidated income statement of £42,000 is the sum of £78,000 less £36,000 as shown above.

Pre-tax profit and loss

For the year ended 31 March 2016

		Revenue £'000	Operating profit/(loss) £'000	Profit on the disposal of assets classified as held for sale £'000	TFPL provisions and share of profits and losses of associates £'000	Finance expense £'000	Profit/(loss) before tax £'000
COLG	Intra-Group	689	789			(166)	623
	Other	18	(897)	(158)	(6,260)	(180)	(7,495)
		707	(108)	(158)	(6,260)	(346)	(6,872)
Platforms	Trade financing – TFPL*	468	489	–	(940)	(489)	(940)
	Lease and professions financing						
	CAML/PFL	1,734	215	–	–	(756)	(541)
	Other	426	426	–	42	(466)	2
	Legal case funding	4	(3)	–	–	–	(3)
	Other	–	34	–	–	–	34
	Intra-Group	(805)	(805)	–	–	805	–
Others	Assets classified as held for sale	–	–	1,556	–	–	1,556
		2,534	248	1,398	(7,158)	(1,252)	(6,764)

* Revenue represents interest earned on loans to Trade Finance Partners Limited.

The Loss from operations in the Consolidated income statement of £5,512,000 is the sum of £248,000 and £1,398,000 less £7,158,000 as shown above.

Notes to the financial statements continued

5 Segmental reporting continued

Consolidated Net Assets

For the year ended 31 March 2017

		£'000	Total £'000
COLG	'Available-for-sale' financial assets		8
	Legal case investments		132
Platforms	Lease and professions financing	2,010	
	Other	150	
			2,160
	Net liabilities		(1,317)
Net assets per entity balance sheet			983
Other net assets of subsidiary companies			15
Consolidated Net Assets			998

Consolidated Net Assets

For the year ended 31 March 2016

		£'000	Total £'000
COLG	'Available-for-sale' financial assets		151
	Legal case investments		138
Platforms	Lease and professions financing	2,010	
	Other	150	
			2,160
	Net liabilities		(313)
Net assets per entity balance sheet			2,136
Other net liabilities of subsidiary companies			(27)
Consolidated Net Assets			2,109

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

6 Administrative expenses

	31 March 2017 £'000	31 March 2016 £'000
Staff		
Payroll (see note 9)	1,249	1,415
Other staff costs	46	69
Establishment costs		
Property costs	309	234
Other	518	444
Auditor's remuneration (see below)	94	89
Legal fees	50	17
Consultancy fees	188	98
Other professional fees	109	108
Depreciation	16	36
Foreign exchange loss	–	2
Total administrative expenses	2,579	2,512

Directors' emoluments are shown in the Directors' Remuneration report on page 13.

Auditor's remuneration	31 March 2017 £'000	31 March 2016 £'000
Fees payable to the Company's auditor for the audit of the parent company's annual financial statements	41	35
Fees payable to the Company's auditors for other services:		
The audit of subsidiaries pursuant to legislation	30	32
Audit related assurance services	–	2
Tax services	23	20
Total fees	94	89

7 (Losses)/gains on financial assets

	31 March 2017 £'000	31 March 2016 £'000
(Loss)/gain on sale of investments	(3)	1
Fair value reserve transfer from equity on sale of investments	(78)	1
Provision for impairment of investments during the year	(5)	(9)
Fair value reserve transfer from equity on impairment of investments	(36)	(42)
	(122)	(49)

Following the disposal of the majority of the 'available for sale' portfolio during the year, a provision for impairment of £41,000 was made in respect of the residual investments held (2016: write-down of Peninsular Gold).

8 Other income

	31 March 2017 £'000	31 March 2016 £'000
Director services	–	46
Consultancy	22	45
Sundry income	116	235
	138	326

Notes to the financial statements continued

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 2017	31 March 2016
COLG	2	4
Lease and professions financing	11	12
Total	13	16

The aggregate payroll costs of these employees were as follows:

	31 March 2017 £'000	31 March 2016 £'000
Wages and salaries	1,115	1,228
Social security costs	114	146
Pensions	20	21
Share option scheme	–	20
Total (a)	1,249	1,415

(a) Including executive termination costs of £301,000 (2016: £77,000).

10 Finance expense

	31 March 2017 £'000	31 March 2016 £'000
Loan interest	1,229	1,252
Total finance expense	1,229	1,252

11 Corporation tax

	31 March 2017 £'000	31 March 2016 £'000
UK corporation tax	–	–
Current year charge	–	–
Total UK corporation tax	–	–

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 20% (2016: 20%). The differences are explained below.

Tax reconciliation	31 March 2017 £'000	31 March 2016 £'000
Loss before tax	(1,187)	(6,764)
At standard rate of corporation tax in the UK:	(237)	(1,353)
Effects of		
Depreciation less than capital allowances	(3)	(1)
Items not deductible for tax purposes	68	1,273
Non-taxed dividend income	–	(1)
Movement on unrecorded deferred tax asset	172	82
	–	–

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 (2016: nil).

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 2017	31 March 2016
Loss attributable to equity holders (£'000)	(1,152)	(6,646)
Weighted average number of ordinary shares in issue ('000)	36,426	27,284
Basic and diluted earnings per share	(3.16)p	(24.36)p

14 Intangible assets

At 31 March 2015, the Group carried goodwill of £46,000 in respect of Professions Funding Limited. Following the capital restructuring plan undertaken by Credit Asset Management Limited in July 2015, this goodwill was written off to equity (see note 26). The Group had no intangible assets at 31 March 2016 or 31 March 2017.

15 Property, plant and equipment

	Group		Company	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Cost				
At 1 April	348	325	319	318
Additions	6	23	–	1
Disposals	(2)	–	(1)	–
At 31 March	352	348	318	319
Depreciation				
At 1 April	321	285	310	280
Charge for the year	16	36	7	30
Disposals	(1)	–	(1)	–
At 31 March	336	321	316	310
Net book value				
At 31 March	16	27	2	9

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

16 'Available-for-sale' financial assets

Group and Company	31 March 2017 £'000	31 March 2016 £'000
At 1 April	151	177
Disposals	(100)	(5)
Revaluation (deficit)/surplus recognised in equity	(2)	30
Written off to income statement	(41)	(51)
At 31 March	8	151
Historic cost (net of provisions) of disposals	178	3

The only investment, other than residual investments, held at 31 March 2017 was an unlisted security. The investments held at 31 March 2016 comprised listed investments with a value of £138,000 and unlisted securities with a value of £13,000.

Notes to the financial statements continued

17 Investments

Group	Interests in associates £'000
As at 31 March 2015	890
Addition	193
Share of profits and losses of associates (i)	(898)
Distribution of profits from associates	(39)
As at 31 March 2016	146
Share of profits and losses of associates	78
As at 31 March 2017	224

(i) The share of TFPL losses recognised (£940,000) was restricted to the carrying value of the equity investment.

Company	Investments in subsidiaries £'000
Cost	
As at 31 March 2015	3,217
Additions in year	2,010
Disposal in year	(100)
As at 31 March 2016 and 31 March 2017	5,127
Provision for impairment	
As at 31 March 2015	100
Additions in year	2,967
Disposal in year	(100)
As at 31 March 2016 and 31 March 2017	2,967
Carrying amount	
As at 31 March 2017	2,160
As at 31 March 2016	2,160

(a) Credit Asset Management Limited ("CAML")

CAML became a wholly-owned subsidiary in January 2017, when the Company acquired all the ordinary shares not already held by it for £1.

In the prior year, following a capital restructuring plan undertaken by CAML, the Company increased its shareholding in CAML from 51% to 85% and acquired £2,000,000 of 7% preference shares issued by CAML in July 2015. A provision for impairment of £2,330,000 was made in the Company's investment in CAML in that year following an assessment of the fair value as at 31 March 2016.

No change in the provision for impairment has been made following a reassessment of the carrying value as at 31 March 2017.

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

As reported last year, the Group's associate, TFPL ceased undertaking new business in the latter part of 2015/16. It was put into administration on 29 March 2017. The Group, which does not expect to recover any part of its overall investment in TFPL, made full provision of £6,260,000 for this investment in last year's accounts. The Group had no exposure to TFPL beyond its investment.

The total provision in 2016 in the consolidated profit and loss account comprised the following:

	£'000
Impairment of investment in loan notes issued by TFPL	5,881
Provision for accrued interest payable on the loan notes	276
Provision for amounts owed in respect of services provided to TFPL	103
	6,260

The Group's Share of profits and losses of associates for 2016 also included losses of £940,000 relating to TFPL. The losses recognised were restricted to the carrying value of the equity investment in TFPL.

In 2015/16 the Company also made full provision in its own accounts for losses arising from the Group's overall investment in TFPL, including a provision for impairment of £637,000 in its investment in City of London Confirming House Limited, the company which holds the Group's shareholding in TFPL.

No interest on loan notes issued by TFPL has been recognised by the Group in the year ended 31 March 2017.

(c) Disposal of assets classified as held for sale - Therium

The profit of £1,398,000 in the consolidated accounts in the prior year on the disposal of assets classified as held for resale arose from the sale in April 2015 of the Group's interest in its litigation fund manager associate, Therium, including its 50% associate Novitas Loans Limited and its subsidiary, Novitas Futures Limited.

(d) Associates

Summarised financial information on the associates is set out below:

Year ended 31 March 2017	**COL SME LP £'000**	**COL SME Loans LP £'000**
Non-current assets	733	475
Current assets	1,445	776
Current liabilities	(358)	(125)
Non-current liabilities	(1,650)	(850)
Net assets	170	276
Revenue	571	292
Profit from continuing operations	52	104
Total comprehensive income	52	104

Year ended 31 March 2016	**COL SME LP £'000**	**COL SME Loans LP £'000**
Non-current assets	2,204	1,166
Current assets	3,529	2,216
Current liabilities	(197)	(128)
Non-current liabilities	(5,500)	(3,000)
Net assets	36	254
Revenue	767	537
(Loss)/profit from continuing operations	(40)	124
Total comprehensive (expense)/income	(40)	124

No financial information is shown for TFPL as the company was put into administration on 29 March 2017.

Notes to the financial statements continued

17 Investments continued

(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%		Non-trading
Credit Asset Management Limited	Ordinary Shares	100%		Leasing and loans
Professions Funding Limited	Ordinary Shares		(a) 100%	Professions funding

Associate investments				
COLG SME Loans LP	Capital contribution		(b) 50%	Professions funding
COLG SME LP	Capital contribution		(b) 50%	Leasing
Trade Finance Partners Limited	Ordinary Shares		(c) 48.88%	In administration

(a) Credit Asset Management Limited holds 100% of the issued share capital.

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

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

All subsidiaries and associates are registered in England and Wales.

With the exception of Trade Finance Partners Limited, all subsidiaries and associates have a 31 March year end and the registered office address of each is 6th Floor, 60 Gracechurch Street, London EC3V 0HR.

Trade Finance Partners Limited, which was put into administration on 29 March 2017, has its registered office at 25 Farringdon Street, London EC4A 4AB.

One subsidiary, COLG Trade Finance Limited, was dissolved during the year.

18 Legal case investments

Group and Company	31 March 2017 £'000	31 March 2016 £'000
As at 1 April	138	232
Return of seed investment	(6)	(94)
As at 31 March	132	138

19 Loans and leases receivable

	Group		Company	
Non-current	**31 March 2017 £'000**	**31 March 2016 £'000**	**31 March 2017 £'000**	**31 March 2016 £'000**
Loans	3,415	4,755	–	1,274
Loans to related parties (note 29)	1,250	4,250	–	–
	4,665	9,005	–	1,274
Finance leases	2,916	2,477	–	–
	7,581	11,482	–	1,274

Non-current loans and finance leases are stated after including provisions of £127,000 for impairment (2016: provisions of £228,000 for impairment, excluding the provision made in respect of loans to TFPL (see note 17(b)).

Current	Group 31 March 2017 £'000	Group 31 March 2016 £'000	Company 31 March 2017 £'000	Company 31 March 2016 £'000
Loans	5,054	5,446	770	–
Loans to related parties (note 29)	–	–	15	32
	5,054	5,446	785	32
Finance leases	2,211	1,635	–	–
	7,265	7,081	785	32

Current loans and finance leases are stated after including provisions of £786,000 for impairment (2016: £415,000).

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

	31 March 2017 Minimum lease payments £'000	31 March 2017 Present value of minimum lease payments £'000	31 March 2016 Minimum lease payments £'000	31 March 2016 Present value of minimum lease payments £'000
Gross amounts receivable:				
Less than one year	2,949	2,211	2,246	1,635
More than one year, less than five	3,333	2,916	2,977	2,477
	6,282	5,127	5,223	4,112
Less: unearned finance income	(864)	–	(912)	–
	5,418	5,127	4,311	4,112

There were no finance lease receivables in respect of the Company (2016: nil).

20 Trade and other receivables

Current assets	Group 31 March 2017 £'000	Group 31 March 2016 £'000	Company 31 March 2017 £'000	Company 31 March 2016 £'000
Trade receivables	90	123	17	73
Amounts owed by related companies	232	74	–	–
Amounts owed by subsidiaries	–	–	470	383
Other debtors	836	497	93	11
Prepayments and accrued income	67	116	47	62
	1,225	810	627	529

21 Cash and cash equivalents

	Group 31 March 2017 £'000	Group 31 March 2016 £'000	Company 31 March 2017 £'000	Company 31 March 2016 £'000
Cash at bank	1,763	2,497	238	226

There was £470,000 (2016: £1,790,000) of restricted cash within the Group cash balance of £1,763,000 (2016: £2,497,000) and £61,000 (2016: £60,000) of restricted cash within the Company cash balance of £238,000 (2016: £226,000). 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.

Notes to the financial statements continued

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

	Group		Company	
Borrowings	**31 March 2017 £'000**	**31 March 2016 £'000**	**31 March 2017 £'000**	**31 March 2016 £'000**
Loans	5,160	3,935	–	–
Trade and other payables				
Trade payables	93	256	26	141
Amounts owed to subsidiaries	–	–	1,555	1,555
Amounts owed to related parties	363	1,682	–	–
Dividends payable	1	1	1	1
Other taxation and social security	36	63	1	34
Other creditors	289	287	61	60
Accruals and deferred income	903	762	297	204
	1,685	3,051	1,941	1,995

23 Non-current liabilities

	Group		Company	
Borrowings	**31 March 2017 £'000**	**31 March 2016 £'000**	**31 March 2017 £'000**	**31 March 2016 £'000**
Preference shares of subsidiary	3,000	3,000	–	–
Loans	7,371	10,237	1,028	388
	10,371	13,237	1,028	388

24 Deferred tax assets and liabilities

	Group		Company	
Unrecognised deferred tax assets	**31 March 2017 £'000**	**31 March 2016 £'000**	**31 March 2017 £'000**	**31 March 2016 £'000**
Differences between tax and accounting base of:				
Investments, including 'available-for-sale' assets	397	413	240	255
Capital losses	175	160	175	160
Trading losses	376	382	–	–
Excess management charges	1,197	1,327	1,197	1,327
Timing differences	47	48	18	(18)
Total	2,192	2,330	1,630	1,724

No deferred tax assets or liabilities were recognised in the financial statements at 31 March 2017 or 31 March 2016.

Unrecognised deferred tax assets have been calculated on the basis of trading losses and excess management charges carried forward of £7,865,000 (2016: £8,535,000), capital losses of £875,000 (2016: £801,000), unrealised capital losses on investments of £1,985,000 (2016: £2,065,000) and timing differences of £235,000 (2016: £240,000). There is no time limit for the utilisation of these amounts.

25 Called-up share capital

Allotted, called up and fully paid	**31 March 2017 £'000**	**31 March 2016 £'000**
36,852,681 (2016: 36,852,681) ordinary shares of £0.10	3,685	3,685

The Company did not hold any shares in treasury at 31 March 2017 (2016: nil). 426,996 shares were held by the Employee Benefit Trust ("EBT") at 31 March 2017 (2016: 426,996). The Company did not purchase any shares from the Trust during the year (2016: nil). The fair value of shares held by the EBT at the balance sheet date amounted to £15,000 (2016: £32,000): these are deducted from equity in accordance with note 2.22.

	Shares in issue Number	Shares in issue £'000
As at 31 March 2015	20,206,617	2,021
Issued in year for cash	16,646,064	1,664
As at 31 March 2016	36,852,681	3,685
Issued in year	–	–
As at 31 March 2017	36,852,681	3,685

26 Non-controlling interests

	31 March 2017 £'000	31 March 2016 £'000
At 1 April	(100)	(1,154)
Loss attributable to non-controlling interests	(35)	(118)
Transferred to equity on acquisition of non-controlling interests	135	1,172
At 31 March	–	(100)

Credit Asset Management Limited ("CAML") became a wholly-owned subsidiary in January 2017, when the Company acquired all the ordinary shares not already held by it for £1 from the non-controlling interests. In July 2015, the Company increased its ordinary shareholding in CAML from 51% to 85%, with a corresponding reduction in the percentage of the ordinary shares held by the non-controlling interests following a capital restructuring plan (see note 17).

Under IFRS3, such increases in a parent's ownership interest in a subsidiary are accounted for as equity transactions. An amount of £135,000, being the difference between the cost of acquiring the additional ownership interest and the increase in the attributable net assets of the subsidiary has been written off to equity as a reserve movement (2016: £1,218,000, including goodwill of £46,000 previously carried in relation to Professions Funding Limited which became a wholly-owned subsidiary of CAML).

Following the acquisition of the shares in CAML from the non-controlling interests, all the Company's subsidiaries are wholly owned and there are no non-controlling interests.

At 31 March 2016, CAML which was then an 85% owned subsidiary of the Company was the only subsidiary that had material non-controlling interests (NCI). The NCI held 15% of both shares and voting rights. 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	2016 £'000
Revenue	1,556
Costs	(2,087)
Loss before and after tax	(531)
Loss and total comprehensive expense allocated to NCI	(118)
Cash flows from operating activities	(3,723)
Cash flows from investing activities	(1,098)
Cash flows from financing activities	6,075
Net cash inflow	1,254
As at 31 March	
Assets and liabilities attributable to NCI	
Non-current assets	864
Current assets	997
Current liabilities	(737)
Non-current liabilities	(1,224)
Accumulated non-controlling interests	(100)

Notes to the financial statements continued

27 Operating lease commitments

	Group		Company	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Minimum lease payments under operating leases recognised in expense for the year	245	224	245	224

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 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Less than one year	30	274	30	274
Between one and five years	–	43	–	43
Greater than five years	–	–	–	–
	30	317	30	317

28 Commitments

The holder of the £3,000,000 7% Redeemable Preference Shares issued by a subsidiary, Credit Asset Management Limited, on 15 July 2015 may require the Company to purchase these shares at their face value and accrued but unpaid dividend if the shares are not redeemed after 7 years or in the event of a change of control in either the Company or Credit Asset Management Limited.

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 Directors' Remuneration report. The aggregate emoluments of the directors for the year were £156,420 (2016: £332,535) and there were no awards under the incentive scheme for 2016/17 (2016: 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.

FCFM Group Limited, which received £168,000 during the year for consultancy services, was a related party of the Company as Jason Granite was a director of both companies.

During the year ended 31 March 2016, the Company purchased £2,000,000 of 7% preference shares in Credit Asset Management Limited at par for cash from Citymain Investments Limited, a related party of the Company.

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	Provision for 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	Provision for other amounts due to City of London Group plc at year end £'000	Due from City of London Group plc at year end £'000
Year ended 31 March 2017							
City of London Confirming House Limited	371	–	3,912	(3,912)	138	(138)	–
City of London Law Funding Limited	–	–	–	–	101	(101)	–
Professions Funding Limited	–	–	–	–	365	–	–
Credit Asset Management Limited	228	–	–	–	830	(640)	–
City of London SME (GP) Limited	–	–	–	–	1	–	–
City of London SME Leasing Limited	–	116	–	–	(1)	–	1,450
City of London Financial Services Limited	6	–	–	–	(85)	–	105
Year ended 31 March 2016							
City of London Confirming House Limited	280	–	3,638	(3,638)	111	(111)	–
COLG Trade Finance Limited	209	–	2,523	(2,523)	209	(209)	–
Trade Finance Partners Limited	211	–	–	–	123	(123)	–
City of London Law Funding Limited	–	–	–	–	118	(114)	–
Professions Funding Limited	32	–	–	–	365	–	–
Credit Asset Management Limited	212	–	–	–	578	(500)	–
City of London SME (GP) Limited	–	–	–	–	1	–	–
City of London SME Leasing Limited	–	116	–	–	(31)	–	1,450
City of London Financial Services Limited	6	–	–	–	(22)	–	105

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

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

The amounts charged to the Company are loan interest.

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	Provision for loans due to Group at year end £'000	Other amounts due to Group at year end £'000	Provision for other amounts due to Group at year end £'000
Year ended 31 March 2017					
Trade Finance Partners Limited (a)	–	5,881	(5,881)	276	(276)
COLG SME Loans LP	62	425	–	8	–
COLG SME LP	96	825	–	15	–
Year ended 31 March 2016					
Trade Finance Partners Limited	468	5,881	(5,881)	276	(276)
COLG SME Loans LP	105	1,500	–	26	–
COLG SME LP	204	2,750	–	48	–

(a) No interest on loan notes issued by TFPL has been recognised during the year (see note 17 (b)).

30 Share-based payments

Share options may be 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	01/04/16	Granted in year	Lapsed in year	31/03/17	Exercisable from	Exercisable to	Exercise price
H Goodbourn	30/11/11	143,267	–	(143,267)	–	30/11/14	18/09/16	69.80p
J Kent	11/02/10	70,000	–	(70,000)	–	11/11/12	31/10/16	55.80p
		213,267	–	(213,267)	–			

Movements in the number of share options outstanding for 2015/16 were as follows:

	Date of Grant	01/04/15	Granted in year	Lapsed in year	31/03/16	Exercisable from	Exercisable to	Exercise price
H Goodbourn	30/11/11	143,267	–	–	143,267	30/11/14	18/09/16	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
	13/09/11	301,638	–	(301,638)	–	13/09/14	13/09/21	76.25p
		573,157	–	(359,890)	213,267			

There were no share options outstanding at 31 March 2017.

City of London Group plc's share price as at 31 March 2017 was 3.5p (2016: 7.5p). The average for the year to 31 March 2017 was 5.0p (2016: 23.9p).

The Company would use the shares in the Employee Benefit Trust to cover 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 31 March 2017			As at 31 March 2016		
Group	**Available-for-sale financial investments £'000**	**Loans and receivables £'000**	**Total £'000**	**Available-for-sale financial investments £'000**	**Loans and receivable £'000**	**Total £'000**
Assets						
'Available-for-sale' financial assets	8	–	8	151	–	151
Legal case investments	132	–	132	138	–	138
Loans	–	9,719	9,719	–	14,451	14,451
Finance leases	–	5,127	5,127	–	4,112	4,112
Trade and other receivables	–	1,225	1,225	–	810	810
Cash and cash equivalents	–	1,763	1,763	–	2,497	2,497
	140	17,834	17,974	289	21,870	22,159
Liabilities						
Interest-bearing borrowings			15,531			17,172
Trade and other payables			1,685			3,051
			17,216			20,223

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

	As at 31 March 2017			As at 31 March 2016		
Company	**Available-for-sale financial investments £'000**	**Loans and receivables £'000**	**Total £'000**	**Available-for-sale financial investments £'000**	**Loans and receivable £'000**	**Total £'000**
Assets						
'Available-for-sale' financial assets	8	–	8	151	–	151
Legal case investments	132	–	132	138	–	138
Loans	–	785	785	–	1,306	1,306
Trade and other receivables	–	627	627	–	529	529
Cash and cash equivalents	–	238	238	–	226	226
	140	1,650	1,790	289	2,061	2,350
Liabilities						
Interest-bearing borrowings			1,028			388
Trade and other payables			386			440
Amounts owed to subsidiaries			1,555			1,555
			2,969			2,383

At 31 March 2017 and 31 March 2016 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.

Notes to the financial statements continued

31 Financial instruments continued

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 but other significant inputs are not observable and accordingly these fair value estimates have been categorised as Level 3 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 2017 £'000	31 March 2016 £'000
Loans	8,469	10,201
Loans to related parties	1,250	4,250
Leases	5,127	4,112
Trade and other receivables	1,225	810
Cash and cash equivalents	1,763	2,497
Total	17,834	21,870
being:		
Gross amounts	18,747	22,513
Provision for impairment (a)	(913)	(643)
Total	17,834	21,870

(a) excluding the provision for impairment in respect of balances owed by TFPL (see note 17(b))

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.

Leases and loans are predominantly to commercial SME clients and 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 2017 £'000	31 March 2016 £'000
Loans	1,067	619
Leases	411	126
	1,478	745
Provisions made in respect of above	786	415

Receivables wholly or partly in arrears include arrears of £748,000 (2016: £482,000), of which £572,000 (2016: £433,000) was more than 90 days in arrears. There are no other past due receivables in either year other than amounts owed by TFPL against which full provision has been made (see note 17(b)).

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 2017 and 31 March 2016 the Company did not have a bank overdraft facility.

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

Year ended 31 March 2017	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	–	1,987	4,070	8,645	3,070	17,772
Trade and other payables	–	1,685	–	–	–	1,685
	–	3,672	4,070	8,645	3,070	19,457
Company						
Interest-bearing borrowings	–	1,573	54	1,082	–	2,709
Trade and other payables	–	386	–	–	–	386
	–	1,959	54	1,082	–	3,095

Year ended 31 March 2016	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	–	1,597	3,431	11,925	3,310	20,263
Trade and other payables	–	3,051	–	–	–	3,051
	–	4,648	3,431	11,925	3,310	23,314
Company						
Interest-bearing borrowings	–	1,565	23	408	–	1,996
Trade and other payables	–	440	–	–	–	440
	–	2,005	23	408	–	2,436

The repayment dates of financial liabilities are as follows:

Year ended 31 March 2017	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	–	1,729	3,431	7,371	3,000	15,531
Trade and other payables	–	1,685	–	–	–	1,685
	–	3,414	3,431	7,371	3,000	17,216
Company						
Interest-bearing borrowings	–	1,555	–	1,028	–	2,583
Trade and other payables	–	386	–	–	–	386
	–	1,941	–	1,028	–	2,969

Notes to the financial statements continued

32 Financial risk management continued

Year ended 31 March 2016	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	–	1,297	2,638	10,237	3,000	17,172
Trade and other payables	–	3,051	–	–	–	3,051
	–	4,348	2,638	10,237	3,000	20,223
Company						
Interest-bearing borrowings	–	1,555	–	388	–	1,943
Trade and other payables	–	440	–	–	–	440
	–	1,995	–	388	–	2,383

(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 2017 or 31 March 2016. Accordingly, the results 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 legal case investments and, previously, on its portfolio of 'available for sale' financial assets. At 31 March 2017, the only investment held, other than residual investments, was an unlisted security. At 31 March 2016, 9% of the Group's portfolio comprised unlisted equity securities. There is no material sensitivity on the valuation of the legal case investments or the 'available-for-sale' financial assets.

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 2.

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 2017:

	Level 1 £'000	Level 3 £'000	Total £'000
'Available-for-sale' financial assets			
Equity securities	–	8	8
Legal case investments	–	132	132
	–	140	140

The following table presents the Group's assets that are measured at fair value at 31 March 2016:

	Level 1 £'000	Level 3 £'000	Total £'000
'Available-for-sale' financial assets			
Equity securities	138	13	151
Legal case investments	–	138	138
	138	151	289

Level 1 assets are quoted ordinary shares: none were held at 31 March 2017. There are no level 2 assets.

There were no transfers of assets between categories during the year (2016: none). An asset is transferred when, due to changes in circumstances, it falls into another category within the fair value hierarchy.

The movement on level 3 assets is as follows:

	31 March 2017 £'000	31 March 2016 £'000
Balance at 1 April	151	276
Impairment	(5)	(29)
Disposals	(6)	(96)
Balance at 31 March	140	151

(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 its SME lending platform. The Company has significantly reduced its head office costs so reducing the capital requirements of the Company. The main funding sources for the platform 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 platform. The Company's capital is deemed to be its equity.

Debt equity ratio is shown below:

	31 March 2017 £'000	31 March 2016 £'000
Third-party borrowings	1,028	388
Loans from subsidiaries	1,555	1,555
Cash	(238)	(226)
Net Debt	2,345	1,717
Equity	983	2,136
Gearing	238.6%	80.4%

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

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group and 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. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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.

By order of the Board

Paul Milner
Director
4 July 2017

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 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company balance sheet, the consolidated 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 financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors

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 (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 parent company's affairs as at 31 March 2017 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 in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 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.

Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
4 July 2017

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

Notice of Annual General Meeting

City of London Group plc

NOTICE IS GIVEN that the Annual General Meeting of the Company will be held at 9.00 am on 24 August 2017 at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR to consider the following resolutions of which numbers 1 to 5 will be proposed as ordinary resolutions and numbers 6 and 7 will be proposed as special resolutions:

1. To receive the annual report and accounts for the year ended 31 March 2017.
2. To re-elect Andrew Crossley as a director of the Company.
3. To re-elect Paul Milner as a director of the Company.
4. To reappoint BDO as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the directors to determine their remuneration.
5. That, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to an aggregate nominal value of £1,228,423 during the period commencing on the date of the passing of this resolution and, unless previously revoked, renewed or varied, expiring at the conclusion of the next Annual General Meeting of the Company or on 30 September 2018 whichever is earlier and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights under such offer or agreement as if this authority had not expired.

Special Resolutions

6. That, subject to the passing of resolution 5 above, the directors be empowered under section 570 of the Act to allot equity securities, as defined in section 560 of the Act, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment or allotments of equity securities up to a nominal amount or (in the case of any other equity securities) giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £368,527 and this power shall expire, unless previously revoked, renewed or varied, at the conclusion of the next Annual General Meeting of the Company or on 30 September 2018, whichever is earlier, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot securities under such offer or agreement as if this power had not expired.
7. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange subject to the following conditions:
   (i) the maximum number of ordinary shares authorised to be purchased shall be 3,685,270;
   (ii) the minimum price which may be paid for a share shall be the nominal value of such share and the maximum price which may be paid shall be not more than 5 per cent above the average of the middle market quotations for ordinary shares of the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding that on which such market purchases are made (in each case exclusive of expenses);
   (iii) unless previously revoked, renewed or varied, the authority conferred by this resolution shall terminate on the conclusion of the next Annual General Meeting of the Company or 30 September 2018, whichever is the earlier, and
   (iv) the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of such authority which may be or will be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares under such contract notwithstanding such expiry.

Serious Loss of Capital

As required by section 656 of the Act to consider whether any, and if so what, steps should be taken to deal with the serious loss of capital of the Company.

By order of the Board
Lorraine Young
Company Secretary
28 July 2017

Registered office
60 Gracechurch Street
London EC3V 0HR

Notes:

1. If you are a member entitled to attend and vote at the meeting, you may appoint one or more proxies to attend and vote on your behalf. A proxy need not be a member of the Company. A form of proxy is enclosed. If you appoint a proxy it will not prevent you from attending the meeting and voting in person.
2. You must send the form of proxy and any power of attorney or other authority under which it is signed, (or a notarially certified copy of such power or authority), to the Company's registrars: Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so that it is received by them not less than 48 hours (excluding non-working days) before the time of the meeting.
3. If your shares are held in joint names, the signature of only one of the joint holders is required. However, if more than one of the joint holders votes, the vote of the first named on the register of members will be accepted to the exclusion of other joint holders.
4. Any corporation which is a member may appoint one or more corporate representatives to exercise all of its powers as a member, on its behalf, provided that not more than one corporate representative may exercise powers over the same shares.
5. You may appoint more than one proxy, provided that each proxy is appointed to exercise rights in relation to different shares. If you wish to appoint more than one proxy, please call Capita Asset Services Helpline on 0871 664 0300 (for callers within the UK) or +44 371 664 0300 (for callers outside the UK) between 9.00 am and 5.30 pm on any business day, or photocopy the proxy form. Please ensure that all proxy forms for one registered holding are sent in the same envelope if possible.
6. If you appoint more than one proxy, you must state the number of shares over which each proxy is entitled to exercise rights. As long as the total number of shares covered by all of the forms of proxy is not more than your total holding, it will be assumed that the proxies are appointed in relation to different shares, rather than that you have made conflicting appointments over the same shares. If two or more forms of proxy are received in relation to the same share(s) and the same meeting, the form of proxy which is received last will be treated as replacing and revoking any other forms received.
7. If you have been sent a copy of this notice because you have been nominated to have information rights under the Act by a nominee shareholder who holds shares on your behalf (and therefore your shares are not held in your own name) then you do not have the right to appoint a proxy using a form of proxy issued by the Company. However, you may have a right under an agreement with the registered shareholder to appoint someone else or to be appointed yourself as a proxy for this meeting. If you do not have this right, or if you do not wish to exercise it, you may have a right under such agreement to give instructions to the shareholder as to how they should vote in respect of the shares they hold on your behalf. You should contact the registered shareholder to find out more about any such arrangements.
8. Under Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), you must be on the register of members by the close of business two days before the AGM in order to have the right to attend or vote at the meeting. The number of shares you hold at that time is the number over which you may exercise voting rights at the meeting. Changes to entries on the register of members after that time will be disregarded in determining your right to attend or to vote (and the number of votes you may cast) at the AGM or any adjournment of that meeting.

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the GM and any adjournment(s) of it by using the procedures described in the CREST Manual. If you are a CREST personal member or other CREST sponsored member, and/or a CREST member who has appointed a voting service provider(s), you should refer to your CREST sponsor or voting service provider(s), who will be able to take appropriate action on your behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specification and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of GM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy.
9. Instructions. It is the responsibility of the CREST member concerned to take or, if you are a CREST personal member or sponsored member or you have appointed a voting service provider(s), to ensure that your sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.
11. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate for any purposes other than those expressly stated.
12. As at 27 July 2017 (being the latest practicable date before the publication of this document) the Company's issued share capital consisted of 36,852,681 ordinary shares of 10 pence each, carrying one vote each. There are no shares currently held in treasury. Therefore, the total number of voting rights in the Company at that date was 36,852,681.

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Form of Proxy

City of London Group plc

Name(s): ....

Address: ....

....

I/We, being (a) shareholder(s) in City of London Group plc, appoint the chairman of the meeting or (see note 1 below):

....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 9.00 am on 24 August 2017 and at any adjournment of that meeting. I request my proxy to vote as indicated below:

Ordinary Resolutions		**For**	**Against**	**Withheld**
1	To receive the annual report and accounts for the year ended 31 March 2017.			
2	To re-elect Andrew Crossley as a director of the Company.			
3	To re-elect Paul Milner as a director of the Company.			
4	To reappoint the auditors and to authorise the directors to set their fees.			
5	To authorise the allotment of shares.			
Special Resolutions				
6	To disapply pre-emption rights.			
7	To authorise share buybacks.			

Signature or Common Seal .... Dated ....

Name .... No of Shares held...

Notes for completion of proxy form

1. Every shareholder has the right to appoint someone of their choice (who need not be a shareholder) as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. If you wish to appoint someone other than the chairman as your proxy please insert their name and address in the space provided. Unless you wish to authorise your proxy to act in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account), please specify next to their name the number of shares in relation to which they are authorised to act.
2. Please indicate how the proxy is to vote by placing an “X” in the appropriate box opposite each resolution. If you sign and return this form without any indication as to how the proxy is to vote, they will exercise their discretion both as to how they vote and as to whether or not they abstain from voting on any resolution put to the meeting.
3. Please execute and date the form of proxy.

   If the appointor is a corporation, this form of proxy must be executed under its common seal or under the hand of an officer, attorney or other person duly authorised to do so.

   This form of proxy must be completed and deposited, together with the power of attorney or other authority, if any, under which it is signed or a copy of such power or authority certified notarially, with the registrars of the Company, at least 48 hours (excluding non-working days) before the time of the meeting or adjourned meeting.
4. The address of the registrars is Capita Asset Services, PXS 34 Beckenham Road, Beckenham, Kent BR3 4TU.
5. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer’s agent (ID number RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer’s agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. Only those shareholders on the register of members of the Company at 6.00 pm on 22 August 2017 will be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the register of members after this will be disregarded in determining the rights of any person to attend or vote at the meeting.
7. More than one proxy may be appointed in respect of shares comprised in the same holding. If more than one proxy is appointed a separate form of proxy should be completed for each person appointed and each form of proxy should show the number of shares to which it relates.
8. Any alteration made to this form of proxy should be initialled by the person(s) signing it.
9. In the case of joint holders, the vote of the senior (according to the order in which the names stand in the register in respect of the holding) who tenders a vote in person or by proxy will be accepted to the exclusion of the votes of the other joint holder(s).
10. Completion and return of this form of proxy will not prevent a shareholder from attending and voting in person at the meeting.

Perivan Financial Print 245860

Investor information and advisers

Financial calendar

We will hold our 2017 annual general meeting at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR at 9.00 am on 24 August 2017.

Half-year results (available online only) December 2017

Trading record (unaudited)

For the year ended 31 March	2013	2014	2015	2016	2017
Shareholders' attributable net profit/(loss) (£'000)	(1,551)	(3,427)	(1,416)	(6,646)	(1,152)
Earnings per share	(8.23)p	(17.33)p	(7.16)p	(24.36)p	(3.16)p
Dividends interim paid	0.33p	0.00p	0.00p	0.00p	0.00p
Dividends final proposed	0.00p	0.00p	0.00p	0.00p	0.00p
NAV per share attributable to shareholders	53.00p	34.40p	27.90p	6.06p	2.74p

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.

Registered office and general enquiries

6th Floor
60 Gracechurch Street
London
EC3V 0HR
Tel: 020 3795 2686
Company number: 01539241
Email: office@cityoflondongroup.com
Website: www.cityoflondongroup.com

Company Secretary

Lorraine Young
6th Floor
60 Gracechurch Street
London
EC3V 0HR

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Bankers

Lloyds Bank plc
2nd Floor
25 Gresham Street
London
EC2V 7HN

Registrar and transfer office

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

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

City of London Group plc
6th Floor
60 Gracechurch Street
London EC3V 0HR
Phone: 020 3795 2686
Email: **office@cityoflondongroup.com**