City of London Group plc

Half-year results 2017

Contents

TIDM: CIN

19 December 2017

City of London Group plc

(“COLG” or “the Company” and, together with its subsidiaries and associates, “the Group”)

Results for the six month period ended 30 September 2017 & Strategy Update

The Company announces its unaudited interim results for the six month period ended 30 September 2017, along with an update on its strategy.

Financial results

- Loss before tax £0.2m (2016/17 first half loss before tax £0.7m *).
- CAML operating profit before shareholder charges £185k (2016/17 first half operating profit before shareholder charges £23k).

* Loss in 2016/17 included £0.2m cost of strategic review and £0.1m executive termination costs.

Business developments

During period

- CAML increased its ‘own book’ portfolio from £13.8m to £14.1m, with new business of £1.4m achieved in September.
- Efforts to contain operational overhead costs maintained across the Group.

Since period end

- Share capital re-organisation completed on 3 October 2017.
- Acquisition of Milton Homes for £19.7m completed on 5 October 2017.
- Net amount of £3m raised through the issue of additional shares, after allowing for costs relating to the capital reorganisation, issue of additional shares and the acquisition of Milton Homes.
- CAML has completed a re-financing exercise and arranged an additional £4m block funding facility with Hampshire Trust Bank on competitive terms.

Strategy update

- COLG has in place a strong three-pronged strategy, in line with information given to shareholders in the Admission Document published in September:
    - **Milton Homes** is advancing its market appraisal and discussions so that it can re-enter the expanding equity release market earlier than was planned in October. A

key assessment is under way of current market demand and distribution methods for different types of its home reversion plans.

- **Banking licence.** COLG is recruiting a team under the leadership of Jason Oakley, former Managing Director of Commercial Banking and Mortgages at Metro Bank and Head of SME at Nat West and RBS, to start the process of obtaining a banking licence and creating a business with the purpose of offering a real choice in commercial, SME, bridging, and development finance. Joining Jason will be Bryce Glover, former MD of Commercial Banking at Alliance & Leicester/ Santander and an NED of Newcastle Building Society. The objective is for a full banking licence to be obtained within two years. Jason will subscribe for £400,000 and Bryce for £50,000 worth of shares in COLG.

- **Lending.** CAML continues to grow its loan book and has started the process of establishing a new line of business called Property & Funding Solutions Limited ("PFS") to provide bridging and development finance for commercial clients, as well as secured lending for customers of the existing CAML business.

Michael Goldstein, Chief Executive Officer, commented:

"During the first six months of the financial year, the business of our leasing and loans platform, CAML, continued to progress with its 'own book' portfolio increasing from £13.8m to £14.1m in September. With the increased financial strength of the Group following the completion on 5 October of the acquisition of Milton Homes and the receipt of £3m net from the issue of additional shares, the Company is now well placed to develop and realise the potential of both its operating platforms.

In addition, we have made good progress in delivering on the strategy set out in our recent Admission Document, ensuring that over the coming years COLG will have a strong, distinctive and value accretive business operating in three attractive market segments. I am delighted that our banking licence application will shortly be under way. We are also in the process of establishing our new business line in property bridging funding under the existing CAML business and our re-launch of the Milton Holmes equity release business may be achieved more quickly than originally envisaged. Overall, the future is looking bright with a strong leadership team in place to deliver on all our strategic objectives."

For further information:

City of London Group plc Michael Goldstein (Chief Executive Officer)	+44 (0)20 7490 8100
Peel Hunt LLP (Nominated Adviser and Broker) James Britton Guy Wiehahn	+44 (0)20 7418 8900
PRO (Financial PR adviser) Marc Cohen Jonny Garfield	+44 (0)20 7284 6969

Notes to Editors:

City of London Group plc is quoted on AIM (TIDM: CIN) and is the parent company of a group which has two operating platforms, the first focused on providing finance to the SME sector, including professional services firms, through both lease finance and loan finance, and the second on providing both traditional and innovative home reversion plans in the UK residential property market.

www.cityoflondongroup.com

Chief Executive Officer’s review

Having become your Company’s Chief Executive Officer on 5 October, I am pleased to present this review which covers the period from 1 April 2017.

Business review

Following the approval given by shareholders on 2 October, the transactions set out in the circular sent to shareholders on 15 September were completed by 5 October with the acquisition of Milton Homes Limited (“Milton Homes”) on that date.

The transaction has substantially increased the Company’s financial strength with a net amount of £3m being raised from the issue of additional shares and shareholders’ equity on a consolidated basis increasing from £0.8m to £23.7m. With the addition of Milton Homes, an equity release provider that owns and manages residential properties acquired through home reversion plans, the Group acquired a second business platform. This, in conjunction with the increase in the Group’s financial strength, provides the Group with a sound base for the future development of both Milton Homes and its other business platform, Credit Asset Management Limited (“CAML”).

We have already begun to move the business forward. In November CAML completed a re-financing exercise and arranged an additional £4m block funding facility with Hampshire Trust Bank on competitive terms. CAML has also set up a new subsidiary, Property & Funding Solutions Limited, to provide bridging and development finance for commercial clients as well as secured lending for clients. Further information is given below.

COLG has continued to maintain strict control on its underlying cost base during the period.

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

CAML, under the leadership of Martin Parsons, made continued progress during the six-month period in re-establishing its position within the market following the removal of the capital constraints that limited its activities in the first half of last year. CAML’s ‘own book’ portfolio grew from £13.8m to £14.1m in the period. The size of the managed joint venture fund between COLG and British Business Bank Investments Ltd reduced from £3.2m to £1.9m over the same period as it continued its amortisation phase. The monthly volume of new business varied over the period with a high of £1.4m achieved in September. The level of new business has remained strong during October and November. Yields held up during the period particularly for loans, with continuing pressure on lease yields. The results for the business are set out in the following table.

£’000	6 months to 30/09/17	6 months to 30/09/16	Year to 31/03/17
Revenue	1,027	1,265	2,403
Operating profit before shareholder capital charges	185	23	171
Profit/ (loss) before tax	10	(153)	(179)

While CAML’s revenue was lower than in the same period last year, the operating profit was significantly higher at £185k compared with £23k for the same period last year. The improvement in the results between the two periods was due to several factors, including the increase in the ‘own book’ portfolio and a reduction in both the charge for impairment of receivables and the level of overheads in the two periods. As the joint venture fund managed by CAML has continued its amortisation phase, management fees have reduced progressively, accounting for £41k of the reduction in revenue between the two periods.

Since the period end, CAML has established a new business, Property & Funding Solutions Limited, which will extend the scope of its financing activities. The business, which will not operate in the regulated sector, will provide bridging and development finance for commercial clients as well as secured lending for clients of the existing CAML business.

In November, CAML completed a refinancing exercise whereby it has arranged an additional £4m block funding facility with Hampshire Trust Bank on competitive terms. This facility, together with CAML's existing block funding facilities, provide a secure base from which CAML can continue the development and growth of its business.

Strategy Update

Banking licence

Since the financial crash of 2008 the banking industry has faced unprecedented pressure to change its image as customers lost faith in the major high street institutions, and a handful of entrepreneurial new entrants were able to capitalise on this disruption and created Challenger Banks. The political climate continues to be supportive of these new banks. There is a strong desire to break the banking oligopoly and this is further strengthened by advances in technology, making a "bricks & mortar" network of branches less significant as a barrier to entry.

COLG's objective is to provide a real choice in commercial, SME, bridging, and development finance, where relationships and speed of execution are critical. The application for a banking licence will shortly be under way and a strong team is being recruited, led by Jason Oakley. Jason built the lending business of Metro Bank as Managing Director Commercial Banking & Mortgages from £65m to over £2.5bn in less than 3 years with an income stream of approximately £100m and market leading margins. Prior to this he was Head of SME for NatWest and RBS with over 3,000 relationship managers looking after over 1m clients and over £1bn of revenue.

Joining Jason will be Bryce Glover. Bryce has operated at Board and Executive Committee level during a 36 year career focused on Corporate and Commercial Banking. He was MD of Commercial Banking at Alliance & Leicester/ Santander before joining Nationwide in 2009 as Director heading its Commercial Division running a £22bn lending portfolio. Bryce was Nationwide's Corporate Affairs Director from 2014 to 2016 and is an NED of Newcastle Building Society.

Jason will subscribe for £400,000 and Bryce for £50,000 of new shares in COLG at the average traded price over the previous 30 days.

Property & Funding Solutions Limited

A new line of business has been created - Property & Funding Solutions Limited ("PFS") - to provide bridging and development finance for commercial clients, as well as secured lending for clients of the existing CAML business. There is a market opportunity to fill the gap left by a sharp reduction in lending capacity in recent years.

The business's objectives are:

- To originate bridging and short term property secured lending solutions in the UK that are competitive on terms, features and price.
- Lend predominantly against prime residential, commercial and development property in England and Wales.
- To be the first choice specialist lender amongst the prominent broking houses and attract repeat business from key industry intermediaries.

This business should benefit from market conditions that are favourable compared with those in recent years and which, accordingly, should enable CAML to access high-quality loan transactions.

Milton Homes

Milton Homes is advancing its appraisal and discussions to re-enter the expanding equity release market earlier than previously planned. A key assessment is under way of current market demand and distribution methods for different types of its home reversion plans.

COLG

COLG continued to maintain strict control over its operating costs in the six months to 30 September 2017. As already reported, the Company moved from its previous office premises in May, which has reduced its underlying cost base going forward.

The Company received the balance of £770k owed in respect of the deferred consideration payable for the sale of Therium, on the due date in April 2017.

Shareholders' funds post the acquisition of Milton Homes

With the acquisition of Milton Homes and the net £3m raised from the issue of shares in October, shareholders' funds on a consolidated basis have increased materially from £0.8m to £23.7m. We have included the condensed consolidated balance sheet immediately following completion of the transactions on page 11 for information. The consolidated balance sheet has been prepared on the basis summarised in Note 12 on page 22. It takes account of the costs of the transactions and incorporates the "fair value" adjustments required under IFRS 3 "Business Combinations". The Investment properties and Financial assets – equity release plans of Milton Homes - are included at their 30 September 2017 values, taken from the quarterly report provided by the external valuer appointed by Milton Homes. The valuation techniques in the report are the same as those used in previous reports.

Risks

The principal risks of the Group are reviewed by the Board, which reviews and agrees policies for managing these risks. The key risks described in the Strategic Report in the 2017 Annual Report are still appropriate although, as noted above, the financial strength of the Group has increased materially following the increase in shareholders' equity in October 2017. The 2017 Annual Report also included information on financial risk management in Notes 31 and 32 of the financial statements.

Milton Homes, which owns and manages residential property acquired through home reversion plans, is subject to risks that are specific to its business sector, including property market risk, longevity risk and interest rate risk. The board of directors of Milton Homes has risk management processes in place, which include a Risk Management Committee (currently run as part of the Executive Committee) to monitor and manage risk throughout the business.

Outlook

Your Board believes that the Group's increased financial strength following completion of the acquisition of Milton Homes in October provides opportunities for its two operating platforms to develop their businesses and realise the growth potential of their business sectors. The Group is progressing its activities in line with the strategy update given above and will continue to explore specific development initiatives for each platform. While the award of a full banking licence will take around two years, the Board believes that over the medium term substantial value will be created for shareholders through investing in this process.

Board changes

On completion of the acquisition of Milton Homes, the new appointments to the Board became effective with Colin Wagman (Non-Executive Chairman) and Chris Rumsey joining the Board, while I became Chief Executive Officer. Paul Milner became an Executive Director and ceased being Non-Executive Chairman. The other directors, Andy Crossley and Lorraine Young continue as Non-Executive Directors with Andy Crossley as Chairman of the Audit and Risk Committee.

Michael Goldstein
Chief Executive Officer

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

This half-yearly report has been drawn up and presented with the purpose of complying with English law. Any liability arising out of or in connection with the half-yearly report for the six months to 30 September 2017 will be determined in accordance with English law. The half-yearly results for 2017 and 2016 have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

19 December 2017

Unaudited interim results

Condensed consolidated income statement

	6 months to 30/09/17 £'000	6 months to 30/09/16 £'000	Year to 31/03/17 £'000
Revenue	1,062	1,326	2,569
Cost of sales	-	(27)	(42)
Gross profit	1,062	1,299	2,527
Administrative expenses	(855)	(1,492)	(2,579)
(Loss)/profit on sale of investments	-	(1)	(81)
Provision for impairment of investments	-	-	(41)
Share of profits and losses of associates	56	73	78
Other income	63	55	138
Profit/(loss) from operations	326	(66)	42
Finance expense	(526)	(669)	(1,229)
Loss before tax	(200)	(735)	(1,187)
Corporation tax	-	-	-
Loss for the period	(200)	(735)	(1,187)
Loss for the period attributable to:			
Equity holders of the parent	(200)	(712)	(1,152)
Non-controlling interests	-	(23)	(35)
	(200)	(735)	(1,187)
Loss for the period	(200)	(735)	(1,187)
Earnings per share attributable to equity holders of the parent			
Basic and diluted earnings per ordinary share of 10p	(0.55)p	(1.96)p	(3.16)p

All the operations in both the six months to 30 September 2017 and the year to 31 March 2017 are continuing.

Unaudited interim results

Condensed consolidated statement of comprehensive income

	6 months to 30/09/17 £'000	6 months to 30/09/16 £'000	Year to 31/03/17 £'000
Loss from continuing operations	(200)	(735)	(1,187)
Other comprehensive (expense)/income from continuing operations			
Items that will or may be reclassified to profit or loss			
'Available-for-sale' financial assets			
– Valuation gains/(losses) taken on equity investments	-	12	(43)
– Provision for impairment transferred to income statement	-	-	41
– Loss on sale transferred to income statement	-	1	78
Other comprehensive (expense)/income from continuing operations	-	13	76
Total other comprehensive (expense)/income	-	13	76
Total comprehensive (expense)/income from continuing operations	(200)	(722)	(1,111)
Total comprehensive (expense)/income from discontinued operations	-	-	-
Total comprehensive (expense)/income	(200)	(722)	(1,111)
Total comprehensive (expense)/income attributable to:			
Equity holders of the parent	(200)	(699)	(1,076)
Non-controlling interests	-	(23)	(35)
	(200)	(722)	(1,111)

Unaudited interim results

Condensed consolidated balance sheet

	Notes	30/09/17 £'000	31/03/17 £'000 (audited)	30/09/16 £'000	Provisional post Milton Homes acquisition on 5/10/17 £'000
Assets					
Non-current assets					
Intangible assets - deferred tax					1,626
Investment properties					39,253
Investment properties – held for sale					6,137
Financial assets:					
equity release plans					27,625
equity release plans held for sale					2,892
Property, plant and equipment		10	16	20	21
'Available-for-sale' financial assets		8	8	164	8
Interests in associates		245	224	218	245
Legal case Investments		130	132	132	130
Loans		4,117	4,665	7,205	4,117
Finance leases		2,583	2,916	3,255	2,583
Total non-current assets		7,093	7,961	10,994	84,637
Current assets					
Loans		4,827	5,054	4,559	4,827
Finance leases		2,256	2,211	2,214	2,256
Trade and other receivables	**12**	2,072	1,225	925	1,433
Cash and cash equivalents		3,146	1,763	910	7,121
Total current assets		12,301	10,253	8,608	15,637
Total assets		19,394	18,214	19,602	100,274
Current liabilities					
Borrowings		(5,150)	(5,160)	(5,226)	(5,150)
Trade and other payables	**12**	(4,166)	(1,685)	(1,603)	(3,086)
Total current liabilities		(9,316)	(6,845)	(6,829)	(8,236)
Non-current liabilities					
Borrowings		(9,280)	(10,371)	(11,386)	(68,145)
Other creditors					(158)
Total non-current liabilities		(9,280)	(10,371)	(11,386)	(68,303)
Total liabilities		(18,596)	(17,216)	(18,215)	(76,539)
Net assets		798	998	1,387	23,735
Equity					
Share capital		3,685	3,685	3,685	4,223
Share premium		14,332	14,332	14,332	37,382
Accumulated losses		(17,219)	(17,019)	(16,444)	(17,870)
Fair value reserve		-	-	(63)	-
Equity attributable to owners of the parent		798	998	1,510	23,735
Non-controlling interests		-	-	(123)	-
Total equity		798	998	1,387	23,735

Unaudited interim results

Condensed consolidated statement of changes in equity

	Attributable to owners of the parent company				Attributable to non-controlling interests	Total Equity
	Retained earnings £'000	Share premium £'000	Share capital £'000	Total £'000	£'000	£'000
At 31 March 2017	(17,019)	14,332	3,685	998	-	998
'Available-for-sale' investments						
- Valuation gains taken to equity	–	–	–	-	–	-
– Loss on sale transferred to income statement	–	–	–	-	–	-
Net income recognised directly in equity	–	–	–	–	–	–
Loss for the period –continuing operations	(200)	–	–	(200)	-	(200)
Total comprehensive income	(200)	–	–	(200)	-	(200)
At 30 September 2017	(17,219)	14,332	3,685	798	-	798

Unaudited interim results

Condensed consolidated statement of changes in equity continued

	Attributable to owners of the parent company					Attributable to non-controlling interests	Total Equity
	Fair value reserve £'000	Retained earnings £'000	Share premium £'000	Share capital £'000	Total £'000	£'000	£'000
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	12	–	–	–	12	–	12
– Loss on sale transferred to income statement	1	–	–	–	1	–	1
Net income recognised directly in equity	13	–	–	–	13	–	13
Loss for the period –continuing operations	–	(712)	–	–	(712)	(23)	(735)
Total comprehensive income	13	(712)	–	–	(699)	(23)	(722)
At 30 September 2016	(63)	(16,444)	14,332	3,685	1,510	(123)	1,387
'Available-for-sale' investments							
– Valuation losses taken to equity	(55)	–	–	–	(55)	–	(55)
– Provision for impairment transferred to income statement	40	–	–	–	40	–	40
– Profit on sale transferred to income statement	78	–	–	–	78	–	78
Net income recognised directly in equity	63	–	–	–	63	–	63
Loss for the period –continuing operations	–	(440)	–	–	(440)	(12)	(452)
Total comprehensive income	63	(440)	–	–	(377)	(12)	(389)
Contributions by and distributions to owners	-	-	-	-	-	-	-
Reduction in non-controlling interests	–	(135)	-	-	(135)	135	-
At 31 March 2017	-	(17,019)	14,332	3,685	998	-	998

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

Unaudited interim results

Condensed consolidated statement of cash flows

	6 months to 30/09/17 £'000	6 months to 30/09/16 £'000	Year to 31/03/17 £'000
Cash flows from operating activities			
Loss before taxation	(200)	(735)	(1,187)
Adjustments for:			
Depreciation	6	7	16
Impairment of 'available-for-sale' financial assets	-	-	41
(Profit)/loss on disposal of 'available-for-sale' investments	-	1	81
Share of profits and losses of associates	(56)	(73)	(78)
Interest payable	526	669	1,229
Changes in working capital:			
(Increase) in trade and other receivables	(10)	(115)	(415)
(Decrease) in trade and other payables	(234)	(1,409)	(1,508)
Proceeds from sale of 'available-for-sale' financial assets	-	-	97
Leases advanced	(1,197)	(2,688)	(3,717)
Leases repaid	1,485	1,331	2,702
Loans advanced	(5,014)	(6,383)	(10,510)
Loans repaid	4,444	6,898	11,838
Loans repaid by related parties	575	2,125	3,000
Cash generated from/ (used in) operations	325	(372)	1,589
Corporation tax paid	-	-	–
Net cash generated from/ (used in) operating activities	325	(372)	1,589
Cash flow from investing activities			
Disposal of assets classified as held for sale, including part repayment of deferred consideration	770	47	404
Return of seed capital in legal case investments	2	6	6
Distribution of profits from related parties	35	-	-
Purchase of property, plant and equipment	-	-	(6)
Proceeds from sale of equipment	-	-	1
Net cash generated from investing activities	807	53	405
Cash flow from financing activities			
Subscription moneys received in advance of the issue of shares in October less transaction costs paid in the period	1,784	-	-
Loans drawn down	2,802	6,010	9,897
Repayment of loans	(3,903)	(6,570)	(11,538)
Interest paid	(432)	(708)	(1,087)
Net cash generated from/ (used in) financing activities	251	(1,268)	(2,728)
Net increase/ (decrease) in cash and cash equivalents	1,383	(1,587)	(734)
Cash and cash equivalents brought forward	1,763	2,497	2,497
Net cash and cash equivalents	3,146	910	1,763
Cash and cash equivalents	3,146	910	1,763
Bank overdraft	-	-	–
Net cash and cash equivalents	3,146	910	1,763

Notes to condensed financial statements

1 Basis of preparation

1.1 These interim financial results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 and have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. Statutory accounts for the year ended 31 March 2017 were approved by the directors on 4 July 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement within the meaning of section 498 of the Companies Act 2006.

1.2 Accounting policies

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, save for the inclusion of the Provisional post Milton Homes acquisition condensed consolidated balance sheet as at 5 October 2017 to provide fuller information on the effect of the acquisition. The condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which were prepared in accordance with IFRS as adopted by the European Union. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 March 2017.

1.3 Adoption of new standards and interpretations

There were no new accounting standards or interpretations that were adopted in the financial statements for the year ended 31 March 2017.

1.4 Consistency

The interim report, including the financial information contained therein is the responsibility of, and was approved by, the directors on 19 December 2017. The AIM Rules require that accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing annual accounts except where any changes, and the reason for them, are disclosed. There have been no changes to the Group's accounting policies for the period ended 30 September 2017.

2 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 operating platforms: lease and professions funding and, in prior periods, legal case funding. The COLG segment includes the Group's central functions and, in prior periods, an investment portfolio.

Notes to condensed financial statements

Continued

2 Segmental reporting continued

Pre-tax profit and loss 6 months ended 30/09/17	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	70	87	-	(58)	29
Other	-	(255)	-	(36)	(291)
	70	(168)	-	(94)	(262)
Platforms					
Lease and professions financing					
CAML/ PFL	1,027	401	-	(391)	10
Other	94	94	56	(99)	51
Other	35	1	-	-	1
Intra-Group	(164)	(58)	-	58	-
	1,062	270	56	(526)	(200)

The Profit from operations in the Consolidated income statement of £326,000 comprises the profit of £270,000 plus the profit of £56,000 as shown above.

Pre-tax profit and loss 6 months ended 30/09/16	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	81	134	-	(58)	76
Other	2	(688)	-	(33)	(721)
	83	(554)	-	(91)	(645)
Platforms					
Lease and professions financing					
CAML/ PFL	1,225	310	-	(463)	(153)
Other	99	160	73	(173)	60
Other	-	3	-	-	3
Intra-Group	(81)	(58)	-	58	-
	1,326	(139)	73	(669)	(735)

The Loss from operations in the Consolidated income statement of £66,000 comprises the loss of £139,000 less the profit of £73,000 as shown above.

Notes to condensed financial statements

Continued

2 Segmental reporting continued

Consolidated Net Assets at 30/09/17

		£'000	Total £'000
COLG	'Available-for-sale' financial assets		8
	Legal case investments		130
Platforms	Lease and professions financing	2,010	
	Other	150	
			2,160
	Net liabilities		(1,576)
			722
Other net assets of subsidiary companies			76
Consolidated net assets			798

Consolidated Net Assets at 31/03/17

		£'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)
			983
Other net assets of subsidiary companies			15
Consolidated net assets			998

Consolidated Net Assets at 30/09/16

		£'000	Total £'000
COLG	'Available-for-sale' financial assets		164
	Legal case investments		132
Platforms	Lease and professions financing	2,010	
	Other	150	
			2,160
	Net liabilities		(1,040)
			1,416
Other net liabilities of subsidiary companies			(29)
Consolidated net assets			1,387

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

Notes to condensed financial statements

Continued

3 Administrative expenses

	6 months to 30/09/17 £'000	6 months to 30/09/16 £'000	Year to 31/03/17 £'000
Staff costs			
Payroll expenses	451	578	948
Termination costs of executives	-	148	301
Other staff costs	12	40	46
Establishment costs			
Property costs	78	157	309
Other	190	282	518
Auditor's remuneration	50	34	94
Legal fees	20	17	50
Consultancy fees	-	173	188
Other professional fees	48	56	109
Depreciation	6	7	16
Total	855	1,492	2,579

4 Taxation

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

5 Dividends

The directors have not declared an interim dividend for the year ending 31 March 2018 (2016/17: nil). The directors did not recommend payment of a dividend for the year ended 31 March 2017.

Notes to condensed financial statements

Continued

6 Earnings per share

The basic earnings per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares of 10p each in issue during the period less those held in treasury and in the Employee Benefit Trust.

The basic earnings per share is as follows:

	30/09/17	30/09/16	31/03/17
Loss attributable to equity holders (£'000)	(200)	(712)	(1,152)
Weighted average number of ordinary shares of 10p in issue ('000)	36,426	36,426	36,426
Basic and diluted earnings per ordinary share of 10p	(0.55)p	(1.96)p	(3.16)p

7 Non-controlling interests

	30/09/17 £'000	31/03/17 £'000	30/09/16 £'000
At 1 April	-	(100)	(100)
Loss attributable to non-controlling interests	-	(35)	(23)
Transferred to equity on acquisition of non-controlling interests (a)	-	135	-
At end of period	-	-	(123)

(a) 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. It had previously held 85% of the ordinary share capital.

Under IFRS3, such an increase in a parent's ownership interest in a subsidiary is accounted for as an equity transaction. 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 was written off to equity as a reserve movement.

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.

Notes to condensed financial statements

Continued

8 Related party transactions

Amounts due from associates

	30/09/17 £'000	31/03/17 £'000	30/09/16 £'000
Amounts due from associates are included in:			
Non-current assets			
Loans	675	1,250	2,125
Current assets			
Trade and other receivables	213	232	104
Total	888	1,482	2,229

In addition to the above, the Group made full provision against all amounts owed by its associate Trade Finance Partners Limited ("TFPL") in its accounts for the year ended 31 March 2016 and has not recognised any income from loan notes issued by TFPL since that date. TFPL went into administration in March 2017.

9 Commitments

The holder of the £3,000,000 7% Redeemable Preference Shares issued on 15 July 2015 by a subsidiary, Credit Asset Management Limited, may require the Company to purchase these shares at their face value and any 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. This right was waived by the holder in respect of the transactions in October 2017 (see note 12).

10 Financial risk management

Notes 31 and 32 to the annual financial statements to 31 March 2017 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk, interest rate risk, price risk, foreign exchange risk and liquidity risk.

The 2017 Annual Report identified the main risk factors around the cash flow forecast in the Strategic Report at that time. The key assumptions and the risk factors have been reassessed following completion of the transactions in October 2017 outlined in Note 12.

The Company has a revolving credit facility of £4.8m with a maturity of 31 December 2018. £3.5m of the facility was undrawn at 30 September 2017.

Notes to condensed financial statements

Continued

11 Financial instruments

Price risk
The Group is subject to price risk on its legal case investments and, previously, on its portfolio of financial assets. At 30 September 2017, the only investment held, other than residual investments, was an unlisted security. 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 unlisted investments is determined using valuation techniques described in note 2 of the annual financial statements to 31 March 2017.

The fair value of investments in legal funds is taken to be cost because at 30 September 2017 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 tables present the Group's assets that are measured at fair value at 30 September 2017 and 31 March 2017 respectively. No Level 1 or Level 2 assets were held at either date.

30 September 2017	**Level 3 £'000**	**Total £'000**
'Available-for-sale' financial assets		
Equity securities	8	8
Investments in legal cases	130	130
	138	138

31 March 2017	**Level 3 £'000**	**Total £'000**
'Available-for-sale' financial assets		
Equity securities	8	8
Investments in legal cases	132	132
	140	140

The movement on level 3 assets is as follows:

	30/09/17 £'000	**31/03/17 £'000**	**30/09/16 £'000**
Balance at beginning of period	140	151	151
Impairment	-	(5)	-
Disposals	(2)	(6)	(6)
	138	140	145

Notes to condensed financial statements

Continued

12 Post balance sheet events

The proposed transactions set out in the circular sent to shareholders on 15 September 2017 were completed by 5 October 2017 following approval given by shareholders at the general meeting on 2 October: the share capital re-organisation of the Company, the issue of ordinary shares under the Open Offer and the Subscription and the completion of the acquisition of Milton Homes Limited.

Prior to 30 September, the Company received moneys in advance of the issue of the new shares and had incurred costs both in respect of the issue of the new shares and of the acquisition of Milton Homes Limited. These amounts were carried forward in the balance sheet at 30 September 2017 under the headings below as follows:

		30/09/17 £'000
Trade and other receivables	Costs in respect of the issue of new shares and the acquisition of Milton Homes Limited	740
Trade and other payables	Moneys received for subscription of shares	2,024

As the financial position of the Group changed substantially following completion of the transactions on 5 October 2017, the consolidated balance sheet of the Group as at that date is shown alongside the consolidated balance sheet at 30 September 2017.

The consolidated balance sheet has been prepared from the consolidated accounts of both the Group and the Milton Homes group as at 30 September 2017, adjusted to reflect the following:

(a) the issue of the Open Offer Shares on 3 October;
(b) the issue of the Subscription Shares on 5 October;
(c) the acquisition by the Company of Milton Homes Limited, which comprised the purchase of all its issued shares as well as the purchase of all the Deep Discount Bonds issued by Milton Homes Limited; and
(d) the costs associated with these transactions, which comprise the costs related to the issue of new shares (charged against the share premium account) and the costs related to the acquisition of Milton Homes Limited (expensed in the income statement).

The consolidated accounts of Milton Homes for the period to 30 September 2017 were unaudited management accounts prepared using the same bases as in the statutory accounts and incorporating its Investment properties and Financial assets at their 30 September 2017 fair values, as set out in the quarterly report provided by the external valuer appointed by Milton Homes.

The acquisition method of accounting has been used for the transaction with Milton Homes Limited, with identifiable assets and liabilities acquired being measured at their fair values at the acquisition date. In accordance with IFRS 3, "Business Combinations" it has been determined that Milton Homes was acquired.

The Company purchased Milton Homes Limited, which is an equity release provider that owns and manages residential properties acquired through home reversion plans, in order to acquire a second business platform that has the potential to grow in the expanding equity release sector. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The consideration for the purchase of the Deep Discount Bonds and the ordinary shares in Milton Homes Limited of £19,700,000 was met by a cash payment of £6,500,000 and by the issue of the Consideration Shares - 14,666,667 shares with a fair value of £13,200,000. The shares were issued at their fair value of 90p, the issue price of both the Open Offer Shares and the Subscription Shares.

Notes to condensed financial statements

Continued

12 Post balance sheet events continued

The assets and liabilities recognised as a result of the acquisition are as follows:

	Carrying value at acquisition £'000	Provisional fair value adjustment £'000	Provisional fair value £'000
Investment properties	45,390		45,390
Financial assets – equity release plans	30,517		30,517
Property, plant and equipment	11		11
Deferred tax asset		1,626	1,626
Trade and other receivables	79		79
Cash and cash equivalents	1,499		1,499
Borrowings	(58,865)		(58,865)
Other creditors	(158)		(158)
Trade and other payables	(399)		(399)
Total	18,074	1,626	19,700

	£'000
Net assets acquired	19,700
Goodwill	-
Consideration	19,700

The consideration for the purchase was agreed on the basis that the fair value of the assets acquired would equal the consideration given so that no goodwill would arise.

By order of the Board

Michael Goldstein
Chief Executive Officer
19 December 2017