12 July 2018

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

Preliminary announcement of final results

The Company announces its audited final results for the year ended 31 March 2018.

Highlights

Business developments

- Equity release provider, Milton Homes acquired in October 2017 for £19.7m, satisfied by shares of £13.2m and cash of £6.5m
- CAML's own book portfolio £16.7m at year end (2017: £13.8m) with new business volumes increasing in the second half of the year with a monthly peak of £2.3m in March
- Additional block funding facilities arranged for CAML to facilitate business development
- Process of applying for a UK banking licence began in February following the Company's acquisition of 73% equity interest in Recognise, which had assembled an experienced team
- Group actively pursuing other opportunities to increase its financial strength and provide a platform for future development

Financial results

- Shares with fair value of £24.65m issued in year, including £11.45m for cash. £6.5m cash paid as part-consideration for Milton Homes with the balance, after meeting the expenses of the transactions, retained to provide general working capital
- Loss before tax £1.1m after absorbing costs of £1.1m associated with acquisitions and applying for UK banking licence (2017: loss before tax £1.2m)
- Consolidated NAV per share attributable to shareholders 81p (2017: 55p (restated for capital reorganisation))

Michael Goldstein, CEO, commented:

"We are pleased with the positive progress made across the business over the past year. COLG is making good progress implementing its strategy of focussing on the UK SME market and on home reversions. We have set up Recognise which is progressing its application for a UK banking licence and, if successful, will focus on providing services to the UK small and medium-sized business market. Meanwhile, Milton Homes has continued to produce a steady number of property reversions, which is encouraging. Looking forward, we are well placed to deliver on our strategic objectives and deliver value for our shareholders."

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Notes to Editors:
City of London Group plc is quoted on AIM (TIDM: CIN) and is the parent company of a group which is focused on serving two key segments, the UK SME market and home reversion. Through the strength and depth of expertise in its expanding team, it is now primed for future growth through its two-pronged strategy.

www.cityoflondongroup.com

Chairman's statement

I am pleased to report a year of considerable and positive activity within City of London Group. In the year we have positioned the Company well for the future in line with our update to shareholders in September 2017, making good progress in implementing our two-pronged growth strategy in which we are focused on serving two key segments, the UK SME market and home reversion. In addition I can report the achievement of a substantial increase in the Group's financial strength.

Following its share capital reorganisation in October, the Group entered the equity release business through the purchase of its subsidiary Milton Homes Limited ("Milton Homes"). In January 2018, the Company made a second strategic acquisition when it acquired a 73% equity interest in Echo Financial Services Limited (now branded as "Recognise") which, as planned, has commenced the process of applying for a UK banking licence. If successful, we will expect to raise new capital (likely equity) to grow the loan book. Finally, the Group has continued to grow its loans and leasing business CAML, which increased its "own book" portfolio by 21% over the year.

The Group's newly-formed property bridging finance company, Property & Funding Solutions Ltd ("PFS"), made its first loans after the year end.

Costs of £1,075k relating to both the acquisitions of Milton Homes and Recognise, and the preparation of the UK banking licence application, have been expensed in the year. These costs account for the Group's loss before tax for the year of £1,055k (2017: loss of £1,187k).

Recognise
Recognise has been formed to provide financial services to the UK small and medium-sized business market, subject to the successful granting of a banking licence from the Regulator.

The growth of the banking sector has accelerated over the last decade and it continues to evolve. At the same time, the SME sector - now with over 5.7m businesses - is witnessing change when it comes to securing funding and savings needs.

The large and well-established banks have, in recent years, moved away from small business relationship management and the experience of personal touch and understanding. By contrast, the challenger banks, in all their various forms, have seized the opportunity and finally gained the traction they needed to fill this void. Recognise has validated this approach through primary external market research of SME owners and the important commercial broker network.

A typical target lending customer for Recognise will be an established business with at least 2 years profitable trading, likely turnover up to £2m and a borrowing requirement of between £100k and £1m (with exceptions up to £2.5m). They may also be a professional landlord. On the deposits side (subject to Regulatory approval), we will be targeting retail and business deposits with amounts up to £85k, minimum £1k.

Should the business be awarded a banking licence, we believe Recognise will be strongly placed to succeed based on a combination of factors which, together, will create a robust platform for future growth and profitability.

COLG has positioned Recognise and its application for a banking licence at the heart of its new corporate strategy, one designed to build a safe, profitable bank while at the same time bringing a new choice to the business banking market. To support this new strategic direction, the Group has worked closely with its advisors to create a new operating structure for the Group, specifically designed to reduce complexity and to underpin Recognise's transition to a fully licensed bank.

Credit Asset Management Limited ("CAML") and Professions Funding Limited ("PFL")
CAML achieved a 21% increase in its "own book" portfolio in the year, benefiting from strong new business volumes in the second half of the year, peaking at £2.3m in March. However, due to a reduction in managed fund fee income and pressure on yields as a result of increased competition in the SME lending sector, its revenue declined by 11% to £2.1m. The effect of the reduction in yields was mitigated by the re-financing of block funding facilities during the year. CAML is continuing to implement a re-financing programme during the current year.

The consolidated results of CAML and PFL for the year improved marginally, showing a loss of £163k (2017: loss £171k), notwithstanding the pressure on yields. CAML maintained its strict control over costs during the year.

CAML strengthened its balance sheet in March 2018 when it issued £2,465k of ordinary share capital to COLG, after redeeming £2m 7% Preference shares held by COLG.

Milton Homes
The equity release market is dominated by lifetime mortgage products. Since October 2017, an initiative has been advanced that is testing the potential to write new home reversion business. The first stage is being concluded following specific market analysis with a leading equity release partner. With suitable debt finance this can be progressed by offering a tranche of new home reversions through the same partner.

Home reversion assets have locked-in value that is realised incrementally over time as the expected reversion event draws nearer. Properties that become vacant are sold and allow Milton Homes to receive the residual reversionary gains.

The company applies selective asset management to its vacant properties, which contributes to effective local private treaty sales. The national spread of the portfolio and the limited number of higher value properties has proved beneficial as local market conditions tightened in London and varied in the regions.

The portfolio has continued to produce a steady number of property reversions and a predictable cash flow from ensuing sales.

COLG
To allow COLG to capitalise on opportunities afforded by the Group's increased financial strength following the acquisition of Milton Homes, COLG appointed two executive directors and a non-executive Chairman in October. Prior to that date, there had been three non-executive directors.

Shareholders' equity in COLG increased from £1.0m to £23.9m over the year. This followed the issue of new share capital in part consideration for the acquisition of Milton Homes and for cash. A total of £11.45m in cash before expenses was raised.

The Board is seeking authority at the AGM to issue up to 29,205,195 new shares. This is a much larger amount than the authority which would normally be sought but will allow COLG to raise the new equity required to finance the plan for Recognise if the banking licence is obtained. The Board intends to seek investors once it is confident that permission will be granted

The Board does not recommend payment of a dividend.

Chris Rumsey

Chris Rumsey will be standing down from the Board at the Annual General Meeting in September in advance of his retirement from the Milton Homes Group in May 2019. On behalf of the Board, I should like to thank Chris for his valuable contributions as a Board member since October 2017 as well as for the work that he has done over a number of years at Milton Homes.

Outlook

COLG intends to continue to implement its strategy. With the increase in the Group's financial strength over the year, it is well-placed to develop the potential of both its existing businesses and, subject to the application for a UK banking licence being successful, develop a business focusing on the SME business banking market.

The business model of the Group has continued to evolve. This reflects changes in market conditions and the business environment, the availability of capital, as well as the success of business initiatives seeded through COLG, the holding company of the Group. The model of COLG providing capital to new or early stage businesses will continue and our current strategy will facilitate the future operation of our business model.

Colin Wagman

Chairman

11 July 2018

Strategic report

Business activities

The Group currently has two businesses. Credit Asset Management Limited (CAML), and its subsidiary Professions Funding Limited (PFL) form one operating platform which provided commercial loans and asset backed finance to SMEs and loans to professional practice firms throughout the year. Property & Funding Solutions Ltd (PFS), a newly-formed bridging finance company, made its first loans after the year end.

The Group acquired a second operating platform on 5 October 2017 on the acquisition of Milton Homes Limited, an equity release provider, which provides both traditional and innovative home reversion plans in the UK residential property market.

On 31 January 2018, the Company acquired a 73% equity interest in Echo Financial Services Limited (branded as Recognise), which is in the process of applying for a UK banking licence. If the application is successful, the company will focus on the SME business customer and will encompass both CAML and PFS.

Financial review

The table below shows a breakdown of the Group results:

Loss before tax	2018 £000	2017 £000
Equity release provider (a)	295	-
Loan, lease and professions financing (a)	(163)	(179)
Other	73	81
Holding company – excluding costs associated with acquisitions and banking licence	(185)	(1,089)
	20	(1,187)
Costs associated with acquisitions and banking licence application	(1,075)	-
	(1,055)	(1,187)

(a) stated after quasi-equity intra group payments of interest and preference dividends.

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

	31 March 2018	31 March 2017
Profit/ (loss) for year before costs associated with acquisitions and banking licence application	20	(1,187)
Costs associated with acquisitions and banking licence application	(1,075)	-
Loss before tax for the year (£000)	(1,055)	(1,187)
Consolidated net assets per share (attributable to owners of the parent) (a)	81p	55p

(a) 2017 figure restated to reflect the capital reorganisation in October 2017.

Share capital reorganisation

The Company undertook a share capital reorganisation in October 2017 immediately prior to its acquisition of Milton Homes. The consideration for the acquisition was met by the issue of shares with a value of £13.2m and the payment of £6.5m cash. A total of £11.45m before expenses was raised by the issue of shares for cash during the year. In addition to meeting part of the acquisition cost of Milton Homes and the associated expenses of the transactions in October, the cash has provided additional working capital to progress the Group's strategy, including the application for a UK banking licence.

As a result of the transactions during the year, including the issue of share capital, net assets per share for the Company increased to 82p at the year-end (2017 – 54p).

Review of the businesses

Credit Asset Management Limited ("CAML") and Professions Funding Limited ("PFL") – loan, lease & professions financing

(a) Description of the business and business model

CAML is a business to business provider of debt finance to SMEs. In addition it provides management services to a third-party fund and to its subsidiary PFL for the origination, underwriting, booking and portfolio management of loans and leases to SMEs and loans to professional businesses such as lawyers, accountants, doctors and dentists. CAML sources business for both disciplines through a national network of finance intermediaries.

(b) Financial review

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

£000	31 March 2018	31 March 2017
Revenue	2,138	2,403
Operating profit before shareholder capital charges	185	171
Loss before tax	(163)	(179)

CAML maintained the improvement in results seen in the prior year with a marginal decrease in the loss before tax to £163k (2017: loss of £179k). While there was an increase of 21% in the size of the "own book" portfolio, revenue earned fell by 11% to £2.1m, due to a reduction in fee income from the managed fund, continuing through its amortisation phase, and reduced yields as a consequence of increased competition in the SME lending sector. The effect of the reduction in yields was mitigated by the re-financing of block funding facilities during the year on competitive terms, with the full benefit expected to be seen in future years. CAML continued to maintain strict controls over costs.

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

The size of the "own book" portfolio increased 21% over the year to £16.7m (2017: £13.8m) with new business volumes being strong in the last 6 months of the year, reaching a monthly peak of £2.3m in March. However, due to increased competition in the SME lending sector, there was downward pressure on yields which resulted in a reduction in revenue, despite the increase in the "own book" portfolio.

In March 2018, CAML strengthened its balance sheet when it issued a further £2,465k of ordinary share capital to COLG, after redeeming £2m 7% Preference shares held by COLG. The cost of the dividend of £138k up to the date of redemption is included in the loss for the year of £163k.

The size of the managed joint venture fund between COLG and British Business Bank Investments Limited, which is in its amortisation phase, reduced further from £3.2m to £1.1m over the year. Subsequent to the year-end, CAML has purchased the joint venture fund for a consideration based on the size of the portfolio.

Since the year-end CAML has also completed a further re-financing exercise with Hampshire Trust Bank and arranged a three year funding facility of £6.1m on competitive terms. The full benefit of the re-financing programme undertaken over the past few months will be seen in future years.

CAML is well-placed to build on its established relationships and is looking to grow its originations through both existing channels and direct relationships.

Milton Homes Limited ("Milton Homes") - home reversion plans

(a) Description of the business and business model

Milton Homes invests in residential property as a provider of home reversion plans to the equity release market. A home reversion plan entails an occupier selling all, or part, of the ownership of their home to Milton Homes in return for a rent free life tenancy. Milton Homes purchases the fixed amount of equity in a property at a discount in exchange for the life tenancy, making it an efficient way to invest in long term house price appreciation in the UK. The occupiers continue to live in their home until they die or move to a care facility, after this Milton Homes will sell the vacant property.

Home reversion plans are acquired via retail financial intermediaries, with applicants receiving independent financial and legal advice. Milton Homes does not give advice.

The result is a leveraged exposure to UK House Price Inflation ("HPI") without maturity concentrations given the spread of realisations over multiple years.

Milton Homes entered the market in 2004 with the acquisition of a portfolio of UK residential properties that were each subject to a home reversion plan. In 2007, Milton Homes merged with Retirement Plus Ltd, acquiring an infrastructure and experienced management team with its innovative form of home reversion plan that had been launched in 2005. In October 2017, Milton Homes became a wholly-owned subsidiary of COLG.

(b) Financial review

A summary of the financial performance of Milton Homes since its acquisition by COLG is set out in the table below:

£'000	**6 months to 31 March 2018**
Revenue	3,590
Operating profit before shareholder capital charges	842
Profit before tax	295

Milton Homes' day-to-day business has not changed since October 2017; it does not take on new customers and continues to sell its properties as reversions occur, producing cash flow for re-investment in the Group. The portfolio was externally valued at £75.1 million at 31 March 2018. There were 613 plans on 552 properties in the portfolio; the difference being due to some occupiers having released some or all of the equity they had initially retained, which is then acquired by the company applying a supplementary home reversion plan.

The key performance indicators include:

- The replenishment of properties sold with new property reversions. In the 6 months to 31 March 2018, 23 properties were sold and there were 23 new property reversions;
- House price change, the main sensitivity to revenue, up 2.05%; and
- Cash flow from property sales: increase in the cash balance of £1.2m over the 6 month period to £2.7m.

Milton Homes continues to employ 8 people.

Other

The results from other activities show a profit of £73k (2017: profit of £81k). The results include the profit from the regulated subsidiary, City of London Financial Services Limited, and the share of profits of the associates. The costs of setting up Property & Funding Solutions Ltd are also included.

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

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

Consolidated income statement

for the year ended 31 March 2018

	Note	31 March 2018	31 March 2017
Revenue		5,782	2,569
Cost of sales		(7)	(42)
Gross profit		5,775	2,527
Administrative expenses:	5		
Acquisition of Milton Homes		(669)	-
Banking licence application, including acquisition of Echo Financial Services		(406)	-
Other		(2,913)	(2,579)
Loss on sale of investments		–	(81)
Provision for impairment of investments		–	(41)
Share of profits of associates		103	78
Other income		114	138
Profit from operations		2,004	42
Finance expense		(3,059)	(1,229)
Loss before tax		(1,055)	(1,187)
Tax expense	7	(130)	–
Loss for the year		(1,185)	(1,187)
Loss for year before costs associated with acquisitions and banking licence application		(110)	(1,187)
Costs associated with acquisitions and banking licence application		(1,075)	-
Loss for the year		(1,185)	(1,187)
Loss for the year attributable to:			
Owners of the parent		(1,132)	(1,152)
Non-controlling interests		(53)	(35)
Loss for the year		(1,185)	(1,187)
Basic and diluted earnings per share attributable to owners of the parent (a)	2	(7.53)p	(7.66)p

(a) 2017 earnings per share has been restated to reflect the capital re-organisation in October 2017.

The group had no discontinued operations in either 2018 or 2017.

Consolidated statement of comprehensive income

for the year ended 31 March 2018

	31 March 2018	31 March 2017
Total loss for the year	(1,185)	(1,187)
Other comprehensive income/(expense) from continuing operations		
Items that will or may be reclassified to profit or loss 'Available-for-sale' financial		
– Valuation losses taken on equity investments	-	(43)
– Provision for impairment transferred to income statement	-	41
– Loss on sale transferred to income statement	-	78
Other comprehensive income from continuing operations	-	76
Total other comprehensive income	-	76
Total comprehensive expense	(1,185)	(1,111)
Total comprehensive expense attributable to:		
Owners of the parent	(1,132)	(1,076)
Non-controlling interests	(53)	(35)
	(1,185)	(1,111)

Consolidated statement of changes in equity

for the year ended 31 March 2018

	Attributable to owners of the parent company						
	Fair value reserve	Accumulated losses	Share premium	Share capital	Total	Attributable to non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'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	(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	–	(135)	–	–	(135)	135	–
At 31 March 2017	–	(17,019)	14,332	3,685	998	–	998
Loss for the year – continuing operations	–	(1,132)	–	–	(1,132)	(53)	(1,185)
Total comprehensive income	-	(1,132)	–	–	(1,132)	(53)	(1,185)
Contributions by and distributions to owners							
Value of employee services	–	15	–	–	15	–	15
Issue of shares	–	–	23,388	548	23,936	–	23,936
Total contributions by and distributions to owners	–	15	23,388	548	23,951	–	23,951
Shares issued to non-controlling interests	–	-	–	–	-	3	3
At 31 March 2018	–	(18,136)	37,720	4,233	23,817	(50)	23,767

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

Consolidated balance sheet

as at 31 March 2018

	Note	31 March 2018	31 March 2017
Assets			
Non-current assets			
Investment properties	8	44,926	-
Financial assets – equity release plans	9	30,213	-
Intangible assets	10	2,180	-
Property, plant and equipment		16	16
Interests in associates		292	224
Other investments		138	140
Loans		4,506	4,665
Finance leases		2,689	2,916
Total non-current assets		84,960	7,961
Current assets			
Loans		6,291	5,054
Finance leases		2,352	2,211
Trade and other receivables		1,566	1,225
Cash and cash equivalents		6,685	1,763
Total current assets		16,894	10,253
Total assets		101,854	18,214
Current liabilities			
Borrowings		(9,331)	(5,160)
Trade and other payables		(2,578)	(1,685)
Total current liabilities		(11,909)	(6,845)
Non-current liabilities			
Borrowings		(65,494)	(10,371)
Deferred tax liability	11	(684)	-
Total non-current liabilities		(66,178)	(10,371)
Total liabilities		(78,087)	(17,216)
Net assets		23,767	998
Equity			
Share capital	12	4,233	3,685
Share premium		37,720	14,332
Accumulated losses		(18,136)	(17,019)
Equity attributable to owners of the parent		23,817	998
Non-controlling interests		(50)	–
Total equity		23,767	998

Consolidated statement of cash flows

for the year ended 31 March 2018

	31 March 2018 £'000	31 March 2017 £'000
Cash flows from operating activities		
Loss before tax	(1,055)	(1,187)
Adjustments for:		
Depreciation and amortisation	18	16
Share-based payments	15	-
Impairment of 'available-for-sale' financial assets	-	41
Loss on disposal of 'available-for-sale' financial assets	-	81
Share of profits and losses of associates	(103)	(78)
Investment properties and equity release plan financial assets:		
Realised gains on the disposal of these assets	(2,364)	-
Increases in the fair values of these assets	(417)	-
Equity transfer income	(809)	-
Interest payable	3,059	1,229
Changes in working capital:		
(Increase) in trade and other receivables	(262)	(415)
Increase/ (decrease) in trade and other payables	320	(1,508)
Proceeds from sale of 'available-for-sale' financial assets	-	97
Leases advanced	(3,707)	(3,717)
Leases repaid	3,793	2,702
Loans advanced	(10,366)	(10,510)
Loans repaid	7,643	11,838
Loans repaid by related parties	875	3,000
Cash (used in)/ generated from operations	(3,360)	1,589
Corporation tax	–	–
Net cash (used in)/ generated from operating activities	(3,360)	1,589

	31 March 2018 £'000	31 March 2017 £'000
Cash flow from investing activities		
Proceeds from the sale of Investment properties and equity release plan financial assets	4,392	-
Receipt of deferred consideration arising from prior year disposal of assets held for sale	770	404
Return of seed capital in legal case investments	2	6
Distribution of profits from related parties	35	-
Proceeds from shares in subsidiary issued to non-controlling interests	3	-
Purchase of Investment properties and equity release plan financial assets	(34)	-
Purchase of property, plant and equipment	(7)	(6)
Proceeds from sale of equipment	-	1
Acquisition of Milton Homes, net of cash acquired (see note 10)	(5,001)	-
Net cash generated from investing activities	160	405
Cash flow from financing activities		
Proceeds from issue of ordinary shares	10,736	-
Loans drawn down	13,290	9,897
Repayment of loans	(15,047)	(11,538)
Interest paid	(857)	(1,087)
Net cash generated from/(used in) financing activities	8,122	(2,728)
Net increase/(decrease) in cash and cash equivalents	4,922	(734)
Cash and cash equivalents brought forward	1,763	2,497
Net cash and cash equivalents	6,685	1,763
Cash and cash equivalents	6,685	1,763
Bank overdraft	–	–
Net cash and cash equivalents	6,685	1,763

Notes

1 Basis of preparation

1.1 Preliminary announcement
The financial information contained in this preliminary announcement does not constitute full accounts as defined in section 434 of the Companies Act 2006 and has been extracted from the statutory accounts for the year ended 31 March 2018. The auditors have issued an unqualified report on these statutory accounts. The statutory accounts for the year ended 31 March 2017 have been filed with the Registrar of Companies and the statutory accounts for the year ended 31 March 2018 will be filed with the Registrar of Companies in due course.

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

The same accounting and presentation policies were used in the preparation of the statutory accounts for the year ended 31 March 2017 with the exception of the accounting policies for Investment property and Financial assets – equity release plans, which have been adopted following the acquisition of Milton Homes Limited on 5 October 2018:

Non-financial assets - Investment property
Freehold and leasehold property held for capital appreciation that is not occupied by the Group is classified as investment property. Leasehold property is treated as a finance lease within investment property.

Investment property is measured initially at cost, including commissions paid to independent financial advisors and directly attributable property acquisition transaction costs, and is thereafter reported at fair value, which reflects market conditions at the period end date.

Gains or losses arising from a change in the fair values of the investment properties are recognised in the statement of comprehensive income in the year in which they arise.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the consolidated income statement.

Financial assets – equity release plans
Through Property Plan agreements, the Group owns rights to increasing beneficial interests in residential properties in the United Kingdom. The values of these interests are, subsequent to initial recognition at cost, measured at fair value with changes recognised in the consolidated income statement. Directly attributable transaction costs are excluded from the initial cost of financial assets which are fair valued through profit or loss.

2 Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year less those held in treasury and in the Employee Benefit Trust. 21,349 ordinary shares of £0.02 were held by the Employee Benefit Trust at 31 March 2018 (2017: 426,996 ordinary shares of £0.10). The calculation of the basic and diluted earnings per share divides the loss by the weighted average number of shares in issue of 15,025,000 (2017: 15,025,000 shares, as adjusted to reflect the capital reorganisation In October 2017 (see note 12)). The basic and diluted earnings per share are the same as, given the loss for the year, the outstanding share options would reduce the loss per share.

3 Dividends

The directors do not recommend payment of a final dividend (2017: nil).

4 Segmental reporting

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

The Group is managed through its operating businesses: the provision of home release plans to the equity release market and loan, lease and professions financing. A subsidiary is in the process of making a banking licence application. A description of the activities of each business is given in the Strategic report. The COLG segment includes the Group's central functions.

Pre-tax profit and loss

For the year ended 31 March 2018

		Revenue	Operating profit/(loss)	Share of profits of associates	Finance expense	Quasi-equity intra group payments	Profit/(loss) before tax
		£'000	£'000	£'000	£'000	£'000	£'000
COLG	Intra-Group	685	715	–	(116)	-	599
	Acquisitions and banking licence application	-	(879)	–	-		(879)
	Other	-	(732)	–	(52)	-	(784)
		685	(896)	–	(168)	-	(1,064)
Platforms	Equity release provider	3,590	2,874	–	(2,032)	(547)	295
	Loan, lease and professions financing						
	CAML/PFL	2,138	772	-	(797)	(138)	(163)
	Other	54	54	103	(62)	-	95
	Banking licence application	–	(196)	–	-	–	(196)
	Other	–	(22)	–	-	–	(22)
	Intra-Group	(685)	(685)	–	-	685	–
		5,782	1,901	103	(3,059)	-	(1,055)

The Profit from operations in the Consolidated income statement of £2,004,000 is the sum of £1,901,000 and £103,000 as shown above.

The quasi-equity intra group payments comprise interest and dividends on preference shares payable to COLG.

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	Loan, 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.

Consolidated Net Assets

For the year ended 31 March 2018

		£'000	Total £'000
COLG	Other financial assets		138
Platforms	Equity release provider	20,247	
	Loan, lease and professions financing	2,465	
	Banking licence application project	1,007	
	Other	150	
			23,869
	Other net liabilities		(137)
Net investments per entity balance sheet			23,870
Other net liabilities of subsidiary companies			(103)
Consolidated net assets			23,767

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	Loan, 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

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

5 Administrative expenses

	31 March 2018	31 March 2017
Staff		
Payroll	1,569	1,249
Other staff costs	30	46
Establishment costs		
Property costs	336	309
Other	833	518
Auditor's remuneration (see below)	177	94
Legal fees	336	50
Consultancy fees	96	188
Other professional fees	593	109
Depreciation	18	16
Total administrative expenses	3,988	2,579
Expenses relating to:		
Acquisition of Milton Homes Limited	669	-
Acquisition of Echo Financial Services Limited and banking licence application project	406	-
Other administrative expenses	2,913	2,579
	3,988	2,579

Auditor's remuneration	31 March 2018 £'000	31 March 2017 £'000
Fees payable to the Company's auditor for the audit of the parent		
company's annual financial statements	39	41
Fees payable to the Company's auditors for other services:		
The audit of subsidiaries pursuant to legislation	58	30
Audit related assurance services	3	–
Tax services	77	23
Total fees	177	94

6 Related party transactions and directors' remuneration

Directors' emoluments are disclosed in the Directors' Remuneration report. The aggregate emoluments of the directors for the year were £322,141 (2017: £156,420) of which £208,946 (2017: £156,420) was borne by the Company and £113,195 (2017: nil) by a subsidiary. In addition, aggregate social security costs for the year were £39,527 (2017: £11,584) of which £23,999 (2017: £11,584) was borne by the Company and £15,528 (2017: nil) by a subsidiary. 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.

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

Executive directors

For the year ended 31 March 2018	Salary £	All taxable benefits £	Total £
Michael Goldstein (a)	85,705	-	85,705
Paul Milner (b)	48,955	-	48,955
Chris Rumsey (c)	112,522	673	113,195

For the year ended 31 March 2017	Salary £	Payment in lieu of notice £	Compensation for loss of office £	All taxable benefits £	Total £
John Kent	6,626	47,250	30,000	195	84,071
Jason Granite (d)	7,000	-	-	-	7,000

(a) Appointed 5 October 2017.

(b) Non-executive director until 5 October 2017. This remuneration relates to the period from 5 October 2017, the date of his appointment as an executive director.

(c) Remuneration for the period since his date of appointment on 5 October 2017. Mr Rumsey is the managing director of the Milton Homes Group which meets his remuneration costs.

(d) Jason Granite is a director of FCFM Group Limited which received nil (2017: £168,000) for consultancy services provided to the Group.

Non-executive directors

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Colin Wagman (a)	15,000	-
Andrew Crossley (b)	27,500	27,500
Paul Milner (c)	14,051	27,500
Lorraine Young (d)	17,734	-
Andrew Crowe	-	10,349

(a) Appointed as Chairman on 5 October 2017.

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

(c) Executive director from 5 October 2017. This remuneration relates to the period up to 5 October 2017, the date of his appointment as an executive director.

(d) Appointed 10 August 2017.

Group related parties

The transactions of Group companies with related parties included:

Transactions of the Company

The Company has Relationship Agreements with each of its two largest shareholders, DV4 Limited, and Max Barney Investments Limited and Harvey Bard, in respect of themselves and certain other people who are considered to comprise a concert party. Under the terms of the Relationship Agreements, each has undertaken that, subject to certain exceptions, it will conduct all business with the Company on arm’s length terms and on a normal commercial basis.

During the year ended 31 March 2017, FCFM Group Limited, which received £168,000 during that year for consultancy services, was a related party of the Company as Jason Granite was a director of both companies. No payments were made to FCFM Group Limited in the current year.

Transactions of other Group companies

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 2018					
COLG SME Loans LP	18	175	–	3	–
COLG SME LP	36	200	–	4	–
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	–

(a) From 2017, no interest has been recognised on loan notes issued by Trade Finance Partners Limited which are deemed to have no value.

7 Tax expense

	31 March 2018 £'000	31 March 2017 £'000
UK corporation tax		
Current year charge	-	–
Deferred tax		
Relating to origination and reversal of temporary differences	130	–
Total tax expense	130	–

Factors affecting the tax expense for the year

The tax expense for the year differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK, which is 19% (2017: 20%). The differences are explained below.

Tax reconciliation	31 March 2018	31 March 2017
Loss before tax	(1,055)	(1,187)
At standard rate of corporation tax in the UK:	(200)	(237)
Effects of		
Items not deductible for tax purposes	350	68
Other tax adjustments	(20)	(3)
Movement on unrecorded deferred tax asset	-	172
	130	-

8 Investment properties

At valuation	Number	31 March 2018 £'000	31 March 2017 £'000
At 1 April		–	–
On acquisition of Milton Homes on 5 October 2017	317	45,390	–
Additions	-	24	–
Disposals	(15)	(2,516)	–
Revaluations		2,028	–
At 31 March	302	44,926	-
Investment properties		37,788	-
Investment properties held for sale		7,138	-
		44,926	–

9 Financial assets – equity release plans

At valuation	Number	31 March 2018 £'000	31 March 2017 £'000
At 1 April		–	–
On acquisition of Milton Homes on 5 October 2017	258	30,517	–
Additions	-	10	–
Equity transfer		809	–
On ending of plans	(8)	(1,458)	–
Revaluations		335	–
At 31 March	250	30,213	-
Financial assets – equity release plans		27,741	-
Financial assets – equity release plans held for sale		2,472	-
		30,213	-

10 Intangible assets

The intangible asset is goodwill, which arose on the acquisition of Milton Homes Limited on 5 October 2017 as shown below, and is carried at cost. An assessment as to whether or not there has been any impairment of goodwill is required to be made annually. The first such assessment will be made during the year ended 31 March 2019.

The fair values of the assets and liabilities acquired as at 5 October 2017 were based on the unaudited consolidated management accounts of Milton Homes for the period to 30 September 2017. These accounts were prepared using the same bases as in the statutory accounts and incorporated 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 assets and liabilities recognised as a result of the acquisition are as follows:

	Carrying value at acquisition	Fair value adjustment	Fair value
	£'000	£'000	£'000
Investment properties	45,390		45,390
Financial assets – equity release plans	30,517		30,517
Property, plant and equipment	11		11
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)
Deferred tax	-	(554)	(554)
Total	18,074	(554)	17,520

	£'000
Net assets acquired	17,520
Goodwill	2,180
Consideration	19,700

Satisfied by:	
Issue of ordinary shares of the Company with fair value	13,200
Cash	6,500
	19,700

Following an assessment of Milton Homes' tax position, a fair value adjustment of £554,000 as at 5 October 2017 has been made for the deferred tax liability in respect of gains arising from the revaluation of investment properties. The deferred tax liability takes account of tax losses that can be offset against the gains. Prior to 1 April 2017, all such gains could be covered by tax losses but, subsequent to that date, the amount of tax losses that can be used is restricted. This replaces a provisional fair value adjustment that was reported in the Company's interim report. As a consequence, goodwill of £2,180,000 arises on the acquisition.

11 Deferred tax liability

	Group	
	31 March 2018	31 March 2017
Deferred tax liability	£'000	£'000
At 1 April	-	-
Addition – on acquisition of Milton Homes	554	-
Tax expense	130	-
At 31 March	684	-
The deferred tax liability comprises:		
Gains arising from the revaluation of investment properties	1,457	-
Losses	(773)	-
	684	-

The total unrecognised deferred tax assets of the Group were £7,537,000 (2017: £2,192,000). The current year figures include unrecognised deferred tax assets of Milton Homes Limited and its subsidiaries.

12 Called-up share capital

Allotted, called up and fully paid	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	Number	Number	£'000	£'000
Ordinary shares of £0.10		36,852,681		3,685
Ordinary shares of £0.02	29,205,195		585	
Deferred shares of £0.001	3,648,415,419		3,648	-
			4,233	3,685

The Company did not hold any ordinary shares in treasury at 31 March 2018 (2017: nil). 21,349 ordinary shares of £0.02 were held by the Employee Benefit Trust ("EBT") at 31 March 2018 (2017: 426,996 ordinary shares of £0.10). The Company did not transfer any shares into or out of the Trust during the year (2017: nil). The fair value of shares held by the EBT at the balance sheet date amounted to £37,000 (2017: £15,000): these are deducted from equity in accordance with note 2.22.

Holders of the Deferred shares have no right to attend, speak or vote at a general meeting of the Company or to receive any dividend or other distribution and have only very limited rights on a return of capital. They are effectively valueless and non-transferrable.

Following approval given by shareholders at a general meeting on 2 October 2017, the following transactions were completed by 5 October 2017:

(a) A share capital reorganisation on 3 October 2017: Each of the existing 36,852,681 ordinary shares of £0.10 in issue was subdivided into 1 ordinary share of £0.001 each and 99 deferred shares of £0.001. The ordinary shares of £0.001 were then consolidated by consolidating 20 ordinary shares of £0.001 each into 1 ordinary share of £0.02. Following this, there were then 1,842,634 ordinary shares of £0.02 and 3,648,415,419 deferred shares of £0.001 in issue.
(b) On 3 October 2017, the Company raised £4,000,000 before expenses through the issue of 4,444,433 ordinary shares at £0.90 each for cash.
(c) On 5 October 2017, the Company raised £7,000,000 before expenses through the issue of 7,777,778 ordinary shares at £0.90 each for cash.
(d) On 5 October 2017, the Company issued 14,666,667 ordinary shares at £0.90 each in part consideration for the purchase of the Deep Discount Bonds and the ordinary shares in Milton Homes Limited. The total consideration of £19,700,000 comprised the issue of these shares, which had a fair value of £13,200,000, together with a cash payment of £6,500,000 (see note 18).

The cash payment of £6,500,000 was met from the cash raised on the issues of ordinary shares in October. The balance of the cash was used to meet the expenses associated with the transactions and to provide additional working capital for the Group.

On 9 February 2018, the Company raised £450,000 through the issue of 473,683 ordinary shares at £0.95 each to J Oakley and B Glover for cash, which will be used to support the costs of the application for a banking licence and for general working capital purposes.

Costs of £714,000 were incurred in relation to the issue of shares in the year. This cost has been offset against the Company's share premium.

Shares in issue	Deferred	Ordinary of £0.02	Ordinary of £0.10	Deferred	Ordinary
	Number	Number	Number	£'000	£'000
As at 31 March 2016: ordinary shares of £0.10	-		36,852,681	-	3,685
Issued in year			–	-	-
As at 31 March 2017: ordinary shares of £0.10	-		36,852,681		3,685
Adjustment on capital reorganisation	3,648,415,419	1,842,634	(36,852,681)	3,648	(3,648)
Issued for cash on 3 October 2017		4,444,433			89
Issued for cash on 5 October 2017		7,777,778			156
Issued as part consideration on 5 October 2017		14,666,667			293
Issued for cash on 9 February 2018		473,683			10
As at 31 March 2018	3,648,415,419	29,205,195	-	3,648	585

13 Financial instruments – price risk

The Group is subject to price risk on both its investment properties and its financial assets – equity release plans as well as on its legal case investments. The valuation of each of these is a Level 3 valuation in the fair value hierarchy ie the valuation techniques use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The bases of assessing the fair values of the investment properties and financial assets – equity release plans are set out in note 3. The sensitivity analysis to changes in unobservable inputs for both investment properties and financial assets – equity release plans is:

- increases in estimated investment terms and rates would result in a lower fair value; and
- decreases in estimated investment terms and rates would result in a higher fair value.

Due to the aggregated nature of the investment property and financial asset portfolio it is not possible to accurately quantify sensitivity of an individual input.

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. There is no material sensitivity on the valuation of the legal case investments.

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 2018:

Level 3 valuation	**Total £'000**
Investment properties	44,926
Financial assets – equity release plans	30,213
Other investments	138
	75,277

The following table presents the Group's assets that are measured at fair value at 31 March 2017:

Level 3 valuation	**Total £'000**
Other investments	140
	140

No Level 1 or Level 2 assets were held at either 31 March 2018 or 31 March 2017.

There were no transfers of assets between categories during the year (2017: 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 2018 £'000	**31 March 2017 £'000**
Balance at 1 April	140	151
Additions – on acquisition of Milton Homes on 5 October 2017	75,907	-
Additions	34	-
Equity transfer	809	-
Revaluations	2,363	-
Impairment	-	(5)
Disposals	(3,976)	(6)
Balance at 31 March	75,277	140

14 Risk statement

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 and PFS. 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 commercial and professional loans, personal guarantees are obtained wherever possible but in any event the professional reputation of the partners of the firm is at stake. For bridging and development finance, funding is secured over the property. 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. Four subsidiaries of Milton Homes are FCA regulated, with a C4 conduct classification (subject to one contact from the FCA in a 4-year cycle to determine how the business is run) and a P3 prudential classification (as being prudentially non-significant).

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

The Board assesses its future capital and liquidity requirements regularly and, as part of its overall group strategy, has developed plans to access new funding as required. The businesses have annual budgets that include budgeted cash forecasts and funding requirements. There are some mitigations which could be invoked to reduce working capital requirements including cost cutting and managing the growth of the businesses.

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 businesses 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 loans and leasing 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.

Brexit and political uncertainty

The Board views the impending withdrawal of the United Kingdom from the European Union as a key risk given the potential for unfavourable terms of a withdrawal, the uncertainty around market conditions that may result, and the political uncertainty arising. To date these risks have not materially impacted the business model or conditions faced by the Group. The management of COLG and the Board will keep this risk under review and monitor events and the impact surrounding Brexit.

Cyber risk

The Board has considered risks arising from cyber-crime and IT resilience and considers the current operating model of the Group mitigates the risk of business disruption and that the reputational damage from such risks to minimal. These risks will be kept under review in the light of the Group's strategic goals.

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.

15 Post balance sheet events

On 28 June 2018 Credit Asset Management Limited acquired the 50% interest in the two joint venture limited partnerships, COLG SME LP and COLG SME Loans LP, held by British Business Investments Limited for a consideration based on the size of the portfolios. Both limited partnerships are now wholly owned by the Group.

Annual General Meeting

The 2018 annual general meeting will be held at 1.00 pm on 13 September 2018 at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR. The notice of meeting and proxy form for the meeting will be included in the Annual Report which will be posted to shareholders in August 2018.