City of London Group

Annual Report and Accounts

2019

City of London Group PLC (‘COLG’ or ‘The Company’) is the parent company of a group focused on serving the UK SME and Home Reversion markets through its two-pronged strategy.

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Business developments

Successful completion of a capital raise in March and April 2019 supported by Company's major shareholders to enable further development of the Group's strategy, including the ongoing application for a UK banking licence by Recognise.

As part of the UK banking licence process, Recognise has progressed the recruitment of its executive team and appointed five independent non-executive directors, including its board chair, to facilitate development of its corporate governance and banking infrastructure.

Recognise has made progress towards its objective of receiving authorisation to accept deposits by the latter part of 2020. Currently, the team is working to submit an application to the Regulator by the end of 2019, after which we will embark on an institutional fund raise.

Our newly acquired financial services intermediary, Acorn to Oaks Financial Services Limited, has set up a commercial finance broking division, so expanding its offering to the SME market.

The Group's loan and asset leasing business had a successful year with CAML making a first-time profit and PFS, our property bridging finance company, being launched successfully.

Milton Homes business adversely affected by the general slow-down in the housing market and a reduction in the number of property reversions but generated £1.3m cash during the year.

Financial results

£12.65m was raised through the issue of 10,120,000 ordinary shares and £2.05m through the issue of 6% Unsecured Convertible Loan Notes 2021 at par in March following capital raising exercise with **further £0.5m raised through an issue of ordinary shares** in April.

Loss before tax £3.6m after absorbing costs of £1.7m associated with applying for UK banking licence and acquisition of Acorn to Oaks Financial Services Limited (2018: loss before tax £1.1m after absorbing costs of £1.1m associated with applying for UK banking licence and acquisitions).

Consolidated NAV per share attributable to shareholders 83p (2018: 81p).

Reports
Pages 6 to 8 comprise the Chairman's statement, pages 10 to 16 the Strategic report, pages 25 to 27 the Directors' Remuneration report and pages 28 to 30 the Directors' report, all of which are presented in accordance with English company law. The liabilities of directors in connection with these reports shall be subject to the limitations and restrictions provided by such law. These reports are intended to provide information to shareholders and are not designed to be relied upon by any other party or for any other purpose.

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

OVERVIEW

City of London Group is a forward-thinking organisation focused on serving two key segments, the UK SME sector and home reversion market. While grounded with traditional values, through the strength and depth of expertise in its expanding team, it is primed for future growth through its two-pronged strategy.

The Group's expertise covers finance and services for the SME and equity release sectors.

COLG ensures its services are always delivered with a personal touch, so clients know that they are more than a customer and have a partner that will work with them as they look towards the future.

SME services

RECOGNISE FINANCIAL SERVICES LIMITED ("RECOGNISE")

Recognise has a strategy to build a fully licensed bank serving the UK SME market and accepting deposits from business and retail savers. With a strong and experienced executive team in place since early 2018, Recognise continued the process of applying for a UK banking licence during the year with progress being made towards its objective of receiving authorisation to accept deposits by the latter part of 2020. The objective of securing a banking licence has been strengthened by COLG's recent successful capital raising exercise which has provided the financial resources to establish the required infrastructure, including a contingency for delays. On the governance side, Recognise has recently appointed to its board five independent non-executive directors with a wide range of relevant expertise who will provide further support and challenge.

CREDIT ASSET MANAGEMENT LIMITED ("CAML") AND PROFESSIONS FUNDING LIMITED ("PFL").

CAML is a business to business provider of debt finance to UK SMEs. It provides asset backed finance and commercial loans to SMEs and, through PFL, loans to professional practice firms which it believes are not being supported adequately by the traditional banking community. CAML sources business for both disciplines through a national network of finance intermediaries.

PROPERTY & FUNDING SOLUTIONS LTD ("PFS")

PFS offers short-term property loans for acquisitions, refinancing, refurbishments and developments to its customers. The business ensures customers receive a consistent and reliable point of contact with a relationship manager and access to decision makers. Loan terms are always structured to fit individual business plans, personal to the customer, with a focus on certainty of delivery and speed of execution.

ACORN TO OAKS FINANCIAL SERVICES LIMITED ("ACORN TO OAKS")

Acorn to Oaks is an independent financial services intermediary authorised by the FCA which provides whole of market broking advice services for general insurance, commercial finance broking, regulated mortgages, protection, pensions and investments. It focuses on the SME and property markets and works with a wide client base across the UK.

Home reversion

MILTON HOMES LIMITED ("MILTON HOMES")

Established in 2004, Milton Homes administers a portfolio of home reversion plans, based on either traditional or innovative models, giving the Group an exposure to the UK residential property market.

CHAIRMAN'S STATEMENT

> The successful capital raising exercise in March enables the company to implement its long term growth strategy of serving the UK SME market.

I am pleased to report another year of considerable and positive activity within City of London Group during which we have continued to focus on implementing the Group's long term growth strategy of serving the UK SME market and increasing the financial strength of the Group.

To that end, the Company undertook a successful capital raising exercise which was supported by the Company's two major shareholders and raised a total of £15.2m in March and April 2019. These funds will be used to develop the Group's lending businesses, including providing funds to Recognise to enable it to set up the IT infrastructure for its core banking systems when, as is hoped, the Regulator invites it to apply for a banking licence and subsequently mobilisation.

In January, the Company completed its acquisition of Acorn to Oaks Financial Services Limited, a financial services intermediary business focusing on the SME and property insurance market. The services it provides complement those already offered by the Group and will help to promote the future lending activities of the Group by extending the services it offers to the SME market.

The Group's lending businesses, CAML/ PFL and PFS both had successful years and generated profits.

Milton Homes has been adversely affected by conditions in the housing market, which saw a general slow-down during the year with little or no movement in vacant property values. While Milton Homes generated cash of £1.3m in the year to March 2019, its results were severely impacted by the lack of growth in property values as well as by a reduction in the number of property reversions and sale completions. It is difficult to foresee the timing of a recovery in the housing market. Milton Homes is continuing to focus on maximising the cash generated from the sales of its properties as reversions occur.

Costs of £1,738k relating to both the costs of progressing the UK banking application by Recognise and the acquisition of Acorn to Oaks have been expensed in the year.

Recognise

RECOGNISE

Recognise was formed with the objective of providing financial services to the UK small and medium-sized business market, subject to the successful granting of a banking licence from the Regulator.

Recognise has developed a strategy to build a fully licensed bank serving this market and accepting deposits from business and retail savers. The strong and experienced executive team, led by Jason Oakley, continued the process of applying for a UK banking licence during the year with progress being made towards its objective of having a licence in place by the latter part of 2020.

Recognise has developed a comprehensive plan for the growth and expansion of the business in the initial five year period following the granting of a UK banking licence. As part of its planning, Recognise has already invested in creating a strong governance structure at an early stage which has included the recruitment of five independent non-executive directors to its board to provide support and challenge to the executive team.

Recognise will bring to the market a new bank dedicated to helping and supporting the SME businesses which are vital to the success and strength of the UK economy. This key segment is still underserved by the major UK banks and, through our own market research and the experience of other recent entrants, it is very clear that substantial opportunities exist to deliver a better customer experience built on business understanding, flexibility of approach, speed of execution and close working relationships.

In its early years, Recognise will target lending up to £2.5m (minimum £100k) and retail and business savings up to £85k (minimum £1k). It will offer a suite of lending and savings products which our research and experience tells us will meet the core requirements of our target market including lending and insurance products already offered through other Group businesses. Recognise will utilise both direct and broker channels to build its business and it will deploy a versatile cloud-based platform which will deliver efficiency and flexibility. Technology will be a powerful enabler to support, but not replace, the human touch.

The success of COLG's recent capital raising exercise enables COLG to provide Recognise with the funds that will be required to build out the IT infrastructure for its core banking systems as well as recruit key personnel.

CREDIT ASSET MANAGEMENT LIMITED ("CAML") AND PROFESSIONS FUNDING LIMITED ("PFL")

Following the actions taken last year to strengthen its balance sheet and re-finance block funding, CAML and PFL generated profits in the current year, despite increased market competition, as the net yields it achieved during the year remained strong. CAML also benefited from the acquisition in June 2018 of the remaining portfolio of a joint venture fund which had previously been managed by CAML.

CAML continued its re-financing programme from last year with two re-financing exercises of block facilities being concluded during the year. These maintained liquidity and helped to preserve business levels on competitive terms.

Following the adoption of IFRS 9 by the Group, the provision for future credit losses at 31 March 2018 was reduced by £24k. The reduction in this provision has been reflected in the opening reserves of the Group at 1 April 2018.

PROPERTY & FUNDING SOLUTIONS LTD ("PFS")

The Group's newly-formed, property focused bridging finance company, PFS, was successfully launched and made its first loans during the year. The focus on certainty of delivery and speed of execution with direct access to decision makers has proven attractive to customers and brokers in a growing sector with many lenders. PFS has already undertaken repeat business with customers, so validating its business model and with its emphasis on service delivery quickly establishing itself in the bridging loan market.

The business is pursuing external funding lines to supplement Group cash resources together with expansion of the team in readiness for the next phase of lending growth.

ACORN TO OAKS FINANCIAL SERVICES LIMITED ("ACORN TO OAKS")

The acquisition of Acorn to Oaks was completed in January 2019 following FCA approval. Acorn to Oaks, a financial services intermediary, provides whole of market broking advice services for general insurance, regulated mortgages, protection, pensions and investments, with IFA services being provided through its 51% subsidiary, Acorn to Oaks Associates Limited.

The business, which is profitable, is well-established with a wide customer base across the UK. Since its acquisition, Acorn to Oaks has set up a commercial finance brokerage division which has already established itself in the market.

MILTON HOMES

MILTON HOMES

The equity release market is dominated by lifetime mortgage products. During the year, Milton Homes completed its detailed assessment of the potential for writing new home reversion business. Changes in the availability of suitable long-term financing have meant that no decision has been made to re-start acquisitions at this time.

Home reversion assets have locked-in value that is realised incrementally over time as the expected reversion event draws nearer. As reversions occur, the business continues to sell its properties to receive the residual reversionary gains and produce cash flow for re-investment in the Group.

During the year the business was adversely affected by a lower than expected number of reversions as well as the slowdown in the housing market. However, we believe that the national spread of the portfolio and the limited number of higher value properties is a positive feature of the portfolio in these circumstances.

Following the retirement of Chris Rumsey in May, Shane Harrison has been appointed as Chief Operating Officer. As part of the succession arrangements, Chris Rumsey will be available as a consultant.

City of London Group

COLG

Shareholders' equity in COLG increased from £23.9m to £37.5m over the year. There were two issues of new share capital during the year.

The larger issue of new shares was made in March 2019 following the successful capital raising exercise when £12.65m in cash before expenses was raised. A further amount of £0.5m in cash was subscribed for equity in April after the year-end.

Equity of £115k was also issued in January as part of the initial consideration for the purchase of Acorn to Oaks Financial Services Limited. The initial consideration of £1,408k was settled by way of the issue of £1,292,825 zero coupon Rollover Loan Notes 2021 to the majority shareholders and 82,068 ordinary shares to the minority shareholders. Deferred consideration based on the profits made over the 3 years to 31 March 2022 will be payable: the amount payable has been estimated at £592k.

As part of the capital raising exercise in March 2019, COLG issued £2.05m of 6% Unsecured Convertible Loan Notes 2021. These will be automatically converted into ordinary shares at the rate specified in the loan notes if a UK banking licence is granted to Recognise by 31 March 2021. Otherwise COLG will redeem the loan notes.

The Board is seeking authority at the AGM to issue up to 39,807,263 new shares. As in 2018, 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. The Board intends to seek additional investors once it is confident that permission will be granted.

The Board does not recommend payment of a dividend.

OUTLOOK

COLG intends to continue implementing its long-term strategy of developing financial services for the UK SME market. With the success of its recent capital raising exercise and the consequential increase in the Group's financial strength, 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 continues to evolve to reflect changes in market conditions, the business environment and the availability of capital, as well as the success of business initiatives promoted through COLG, the holding company.

Colin Wagman
Chairman
14 July 2019

STRATEGY

STRATEGIC REPORT

Business activities

The Group currently has three business areas.

The first provides loan and lease finance to the SME market through three companies - Credit Asset Management Limited (CAML) and its subsidiary Professions Funding Limited (PFL), which provide asset-based finance and commercial loans, and Property & Funding Solutions Ltd (PFS), a property bridging finance company.

The second, Acorn to Oaks Financial Services Limited (Acorn to Oaks) which was acquired in January 2019 is a financial services intermediary focusing on the SME and property markets.

The third, Milton Homes, administers a portfolio of home reversion plans.

The Company's subsidiary, Recognise Financial Services Limited ("Recognise"), has continued to progress its application for a UK banking licence. If the application is successful, Recognise intends to focus on the SME business customer in the UK and will encompass both CAML and PFS.

Financial review

The table below shows a breakdown of the Group's results:

Loss before tax	2019 £'000	2018 £'000
Equity release provider (a)	(1,785)	295
Loan, lease and professions financing (a)		
Asset based finance, commercial and professional loans	271	(163)
Property bridging finance	10	-
Financial services intermediary	55	-
Other	6	73
Holding company – excluding costs associated with banking licence application and acquisitions	(308)	(185)
	(1,751)	20
Costs associated with banking licence application and acquisition	(1,738)	(1,075)
	(3,489)	(1,055)

(a) stated after quasi-equity intra group payments of interest and, in 2018, preference dividends.

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

	31 March 2019	31 March 2018
(Loss)/ profit for year before costs associated with banking licence application and acquisitions	(1,751)	20
Costs associated with banking licence application and acquisitions	(1,738)	(1,075)
Loss before tax for the year (£'000)	(3,489)	(1,055)
Consolidated net assets per share (attributable to owners of the parent)	83p	81p

CAPITAL RAISING EXERCISE

The Company undertook a successful capital raising exercise in March 2019, which was supported by its two major shareholders who, with connected parties, subscribed a total of £10m for ordinary shares. Other third parties subscribed a further £3.15m in March and April for ordinary shares, which were issued at £1.25 each. In addition, £2.05m was raised from the issue of 6% Unsecured Convertible Loan Notes 2021 at par. The moneys were raised to enable further development of the Group's strategy, including supporting Recognise in its application for a UK banking licence.

The 6% Unsecured Convertible Loan Notes 2021 will be mandatorily converted into ordinary shares at an issue price of 143p providing the ICG date, which is the date when the Prudential Regulatory Authority sets the Individual Capital Guidance for Recognise, is no later than 31 March 2021, the final maturity date when repayment will otherwise be due.

In connection with its acquisition of Acorn to Oaks Financial Services Limited on 7 January 2019, the Company issued £1,292,826 zero-coupon Rollover Loan Notes 2021 and 82,068 ordinary shares at 140.34p each in satisfaction of the initial consideration of £1,408,000.

Review of the businesses

CREDIT ASSET MANAGEMENT LIMITED ("CAML") AND PROFESSIONS FUNDING LIMITED ("PFL") – ASSET FINANCE, LOANS & PROFESSIONS FINANCING

(a) Description of the business and business model

CAML is a business to business provider of debt finance to UK SMEs which originates business through a national network of specialist asset, commercial and professional loans brokers. It provides asset backed finance and commercial loans to SMEs and, through its subsidiary PFL, loans to professional practice firms.

(b) Financial review

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

£'000	31 March 2019	31 March 2018
Revenue	2,428	2,138
Operating profit before shareholder capital charges	481	185
Profit / (loss) before tax	271	(163)

CAML significantly improved its results compared with the previous year, achieving profit before tax of £271k compared with a loss before tax of £163k in 2018. This follows the actions taken last year to strengthen its balance sheet and re-finance its block facilities. Overall yields remained consistent with 2018. Commercial loans were strong, with professions loans remaining in line with previous year, although due to downward market pressure on asset finance there was a reduction in leasing yields year-on-year.

There was a year on year increase in revenues of 13% to £2.4m which was attributable to an increase in new business volumes of 3% and revenue arising from the acquisition of the remaining portfolios of a joint venture fund which had previously been managed by CAML in June 2018.

Whilst there was an increase of 3% of new business originations there was a small decline of 3% in the portfolio, due to the timing and revolving nature of short-term professions loans and the maturity of a number of deals transferred from the joint venture fund.

Liquidity is critical to new business development and to ensure future funding availability CAML concluded two tranches of re-financing in June 2018 and February 2019 for £6.1m and £6.3m respectively. These were made on fixed rate competitive terms which protected margins from interest rate risk.

CAML continued to maintain strict controls over costs with a small increase due to the recruitment of additional staff to maintain high service standard levels and support the increase in new business activity.

Following the adoption of IFRS 9 in place of IAS 39, the provision for future credit losses at 31 March 2018 was reduced by £24k. There was little change in the provision overall as the existing provision allowed for future losses that might arise on the portfolio existing on that date.

The key performance indicators are the book size of the portfolio and new business levels (measured by the monetary value of new business).

The size of the "own book" portfolio fell by 3% to £16.1m (2018: £16.7m). While new business volumes were 25% ahead of 2018 in the first 9 months, the last quarter of the year, historically a strong new business quarter for the professions market, was weaker than expected due to increased competition which resulted in less new business than in previous years in that period. However, despite this, there was a 3% increase in new business for the year as a whole.

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

CAML employs 11 people.

PROPERTY & FUNDING SOLUTIONS LTD ("PFS") – PROPERTY BRIDGING FINANCE

(a) Description of the business and business model

PFS, which provides property bridging and development finance for commercial customers, started to market for new lending opportunities in April 2018.

PFS made its first loans in May and June. The market has proved receptive to its loan offering due to its responsiveness, the close relationships built with customers and the certainty of delivery of funding. PFS has already undertaken repeat business with customers so validating its business model in a growing sector with many lenders.

(b) Financial review

A summary of the financial performance of the business in its first year of operation is set out in the table below:

£'000	31 March 2019
Revenue	293
Operating profit	122
Profit before tax	10

Prior to 31 March 2018, PFS incurred costs of £17k in setting up the business.

Having become established in its marketplace PFS has been recruiting to expand the team as well as pursuing external investment and wholesale lines to supplement Group cash resources. This will enable PFS to build its lending capacity in the coming year. Broker initiated business is the primary origination channel in the bridging loan sector and PFS is seeking to broaden its existing network through the development of new introducer relationships which will underpin its planned growth in loan volume.

ACORN TO OAKS FINANCIAL SERVICES LIMITED ("ACORN TO OAKS") – FINANCIAL SERVICES INTERMEDIARY

(a) Description of the business and business model

Acorn to Oaks is an independent financial services intermediary authorised by the FCA which provides whole of market broking advice services for general insurance, commercial finance broking, regulated mortgages, protection, pensions and investments. It focuses on the SME and property markets and works with a wide client base across the UK. Acorn to Oaks operates an IFA business through its 51% owned subsidiary, Acorn to Oaks Associates Limited.

Since its acquisition by COLG, Acorn to Oaks has engaged an executive with a proven track record to establish and develop its recently formed commercial finance brokerage division which will further extend the range of services it offers to the SME market.

(b) Financial review

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

£'000	3 months to 31 March 2019
Revenue	224
Operating profit	55
Profit before tax	55

The results for the period since acquisition in early January are in line with expectations. They provide a solid base for Acorn to Oaks' development going forward.

Acorn to Oaks employs 8 people.

MILTON HOMES LIMITED ("MILTON HOMES") – HOME REVERSION PLANS

(a) Description of the business and business model

Milton Homes, the Group's equity release provider, has a portfolio of individual UK residential properties through its being a provider of home reversion plans. 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 and distribute the sale proceeds, including any that may be due to the customer or his estate. Milton Homes does not currently take on new customers.

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

(b) Financial review

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

£'000	31 March 2019	31 March 2018 (6 months) (a)
Revenue	4,556	3,590
Operating (loss)/profit before shareholder capital charges	(754)	842
(Loss) / profit before tax	(1,785)	295

(a) acquired by COLG on 5 October 2017

Milton Homes' day-to-day business has not changed since October 2017; it is continuing to sell its properties as reversions occur, producing cash flow for re-investment in the Group. The portfolio, which comprised interests in 510 properties at 31 March 2019 (2018: 552 properties), was externally valued at £71.5m at that date (2018: £75.1m). The number of properties that reverted to Milton Homes during the year was 35 compared with 50 in the previous year.

While Milton Homes paid cash of £3.1m to COLG during the year, its results were severely impacted by the effect of the reduction in the house price index (down to 0.44% increase in the year compared with an increase of 2.05% in the previous 6 month period) as well as by an increase in the time taken to complete sales due to the general slow-down in the housing market.

As previously announced, Chris Rumsey has now retired in May 2019. Shane Harrison has now taken over as Chief Operating Officer within the Milton Homes Group.

Milton Homes employs 7 people.

OTHER

The results from other activities show a profit of £6k (2018: profit of £73k). The reduction arises because both City of London Financial Services Limited and the Group's associates, whose results were included in 2018, ceased their business activities during the year.

RISK MANAGEMENT

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

CREDIT RISK

Credit risk particularly arises in CAML and PFS. This is mitigated in different ways. For the leasing business the exposure is reduced by ownership of the asset which can usually be resold or re-leased. 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 and supplemented by debentures and personal guarantees. 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.

CAML, which lends only to businesses, is regulated for those businesses that fall within the Consumer Credit Act and has full permission to operate under the FCA consumer credit regulations. The risk of non-compliance by CAML is considered low as these regulated activities constitute only a very small part of its overall revenue. PFS is not FCA regulated and only undertakes non-regulated lending.

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).

Acorn to Oaks, which is an independently regulated whole of market firm, has permission from the FCA to provide regulated products and services as advisor and broker, and has been granted client money permissions in relation to its insurance distribution activities. Acorn to Oaks, established in 2008, has an excellent track record in providing advisory and broking services. Given its relatively small size within the Group, its maturity and strong management, COLG views the legal and regulatory risks arising to the Group as low.

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.

A regulatory risk arises in relation to the application made by Recognise for a UK banking licence as the regulatory permissions and their associated timings are uncertain and, potentially, may result in increased costs and delays in implementation of the Group's strategy.

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 from multiple sites or 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.

WEAK PROPERTY MARKET

The Group is adversely affected by a weak property market through its lending businesses and Milton Homes. Factors that mitigate the risks within the lending businesses of CAML and PFS are the level of loan to value, covenants given and, where appropriate, recourse to other forms of credit protection. Milton Homes is impacted by movements in the residential property market which delay sales or reduce sale values and PFS by movements in both commercial and residential markets. CAML is impacted by the overall consequences of a weak property market on the economy and the resultant effects on the business performance of its customers.

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. To mitigate this risk, management is incentivised with equity and bonuses comparable with the market.

GOING CONCERN

The directors have reviewed in detail the monthly cash flow forecast for the period to 30 September 2020.

They have also considered the inherent uncertainties in market conditions and the potential impact of the risks on the financial position of the Group. An explanation of the key aspects for the Company and of each of the main investee companies is set out below.

The Company had a successful capital raising exercise in the first quarter of 2019 when it raised £13.15m in equity and £2.05m in 6% Unsecured Convertible Loan Notes 2021 in March and April to support the development of the Group's strategy, and specifically the application for a UK banking licence.

The Company's subsidiary, Recognise, has continued to progress its application to the Prudential Regulatory Authority and Financial Conduct Authority ("Regulator") for a UK banking licence during the year. The final tranche of funding of £0.5m which the Company was committed to make to Recognise was provided in June 2019 and the Company will provide further amounts from the funds raised by the Company in March 2019 to support Recognise during the application period. If, as is hoped, the Regulator invites Recognise to apply for a licence, it would be necessary for Recognise to meet capital adequacy requirements which in turn would require the Company to undertake a further equity raising exercise. The Board is developing plans to access such new funding when required.

COLG

As at the end of September 2020 the Company will have sufficient working capital to meet its requirements.

It is assumed the Company will succeed in raising enough equity to enable Recognise to meet capital and liquidity adequacy requirements set by the Regulator when this is required.

The key assumption around the cash flow is that the funds from the capital raising exercise in March and April 2019 will be used by the Company to:

- fund the running costs of Recognise as it progresses its application for a UK banking licence after the money provided by COLG under the Shareholders' Agreement has been expended;
- meet the costs of building the bank infrastructure by setting up the IT infrastructure for the core banking systems after Recognise receives an invitation to apply for a UK banking licence; and
- support the lending activities of PFS and CAML before the funds are required by Recognise. PFS and CAML will repay advances from cash flow (PFS) or from a re-financing exercise with block funders (CAML).

Other key assumptions are that the Company will:

- repay a loan from City of London SME Leasing Limited of £1.18m; and
- receive from Milton Homes' operational cash flow part repayments of the Deep Discount Bonds held by the Company, from which the Company will be able to meet its running costs.

MILTON HOMES

It is assumed the number of reversions and property sales in the period will be comparable with previous periods with a positive cash flow arising from these sales.

CAML

With the exception of the short-term support to be made available from the capital raising exercise, it is assumed the Company will not be required to provide any further working capital to CAML and that CAML will be able to secure sufficient third-party funding to repay funds provided by COLG and enable the planned development of its business.

PFS

With the exception of the additional short-term support to be made available from the capital raising exercise, it is assumed that PFS will be able to repay the funds from its cash flow and will be able to secure sufficient third-party funding to enable the planned development of its business.

ACORN TO OAKS

It is assumed Acorn to Oaks will fund the development of its business from its own resources and will not require COLG to provide working capital.

RISK FACTORS

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

- Increased costs arising from a delay in the Regulator inviting Recognise to apply for a UK banking licence.
- The raising of sufficient equity by the Company to allow Recognise to meet required capital adequacy and liquidity levels.
- The number of reversions and property sales by Milton Homes is less than anticipated.
- The prices realised on the sale of Milton Homes properties are less than expected.
- The planned development of the CAML and PFS businesses is not achieved.

CONCLUSION

After consideration of the above cash flow risk factors and the projected cash balances held by group companies during the period, the directors are satisfied that the Company has and will maintain sufficient financial resources to enable it to continue operating for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and accounts.

GROUP VIABILITY STATEMENT

In addition to their detailed review of the monthly cash flow forecast for the period to 30 September 2020, the directors have also assessed the outlook for the Group over a longer period in line with good governance practice and reporting.

An important element of the Group's declared strategy of seeking to provide a range of financial services to the SME market in the UK is the application for a UK banking licence which has been made by its subsidiary, Recognise, to the Regulator.

As part of the viability process, the directors have endorsed a five-year business plan which has recently been submitted to the Regulator as part of the on-going application process. The plan, which has been developed by Recognise with assistance from its external advisors, incorporates forecasts from all Group businesses and covers all Group activities. The plan shows how the Group, through its subsidiary Recognise, will fulfil the business plan objectives set out in the application made to the Regulator if Recognise is granted a UK banking licence and demonstrates the viability of the Group up to March 2025.

The following matters were considered explicitly in drawing up the viability plan:

- principal risks and uncertainties faced by Group businesses, both currently and in the medium term;
- assumptions in the business plans of Group companies;
- scenarios that might affect the Group's operations and resilience, including changes in the political, regulatory and competitive environment;
- the Group's approach to risk management;
- capital and other resources required to deliver the plan; and
- the Group's forecast cash flows, liquidity and funding profile over the period.

Various stress test scenarios, which represent a range of events of different severity and probability that could impact the Group were applied via the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). These enabled the Group to assess the circumstances in which regulatory capital and liquidity requirements could no longer be met by Recognise and the Group, so that their business would no longer be considered viable. The Board approved the ICAAP and ILAAP in March 2019.

The grant of a UK banking licence to Recognise will provide the Group with the means to realise its strategy of providing a range of financial services to the SME market by enabling it to access stable cost-effective funding from depositors, whose deposits would be protected under the Financial Services Compensation Scheme.

If Recognise were not to be granted a UK banking licence, the Group would have to re-address its strategy. While existing businesses would not be affected directly, their future development would be determined by the amount of funding available to the Group. Any funds remaining from the March 2019 fundraise would be used to support the development of the Group's existing lending businesses.

Based on the results of their assessment of the viability plan, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of at least three years.

CORPORATE RESPONSIBILITY

Environment

Given the nature of its activities, there is limited scope for the Group to have a major impact on environmental matters. However, the directors are mindful of their responsibilities in this regard and in particular are conscious of energy conservation and waste management.

Health and Safety

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

Directors and employees

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

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

Preparation of Strategic report

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

Signed on behalf of the Board

Michael Goldstein
Chief Executive Officer
14 July 2019

GOVERNANCE

DIRECTORS' BIOGRAPHIES

COLIN WAGMAN

(Non-executive Chairman) (non-independent)

Colin was appointed to the Board on 5 October 2017. Colin was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1970. He practiced as a specialist in business structuring and tax planning and became a senior partner of his central London practice in the 1980s. From 1998 until March 2018 he was Deputy Chairman and Chief Financial Officer of Delancey which is the principal adviser to the Delancey property funds which held several billion pounds of property investments and developments in the UK. Colin is also a non-executive director of Alpha Plus Group Plc, as well as being a trustee of several charities.

MICHAEL GOLDSTEIN

(Chief Executive Officer)

Michael was appointed to the Board on 5 October 2017. Michael was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1984. He practised as an audit partner with particular emphasis on the Real Estate sector. He was a Senior Audit partner in BDO LLP where he was responsible for the management of the national audit business. Since leaving BDO in 2015, he has led the restructuring of a large family property business. Michael led the reversal of Milton Homes into the City of London Group and was responsible for the recruitment of the team seeking a banking licence in Recognise. He sits on the Board of Recognise on behalf of the Group, as well as being a trustee of several charities.

PAUL MILNER

(Executive Director)

Paul was appointed to the Board in November 2013 and served as Chairman between October 2015 and October 2017. Paul was appointed as Executive Director following the acquisition of Milton Homes in October 2017. Since July 2013 he has been Chief Executive of a privately-owned group of property companies. Paul qualified as a solicitor in 1986 but has spent most of his career in the property, construction and private finance industries. In recent years he has played key roles on raising senior debt and equity finance for infrastructure projects. From 2005 to 2012 he worked in central government leading a commercial team tasked with delivery of infrastructure programmes and projects. From 2012 to June 2013 he worked at UPP Group Ltd where he played a key role in the successful bond refinancing of a number of student accommodation projects.

ANDY CROSSLEY

(Independent Non-executive Director)

Andy was appointed to the Board on 19 October 2015. Andy spent twenty-four years, principally at Invesco Perpetual, as a UK small cap fund manager. He is currently a director of Corporate Broking at Shore Capital, a leading UK small cap broker. Shore Capital acquired Stockdale Securities in Q1 2019, where Andy had been the Managing Director since 2015. Prior to Stockdale, Andy spent four years at Peel Hunt LLP where he was Head of Corporate Sales and subsequently Head of ECM/Syndicate. Andy sits on the LSE AIM Advisory Group and he also chairs the QCA Primary Markets Expert Group. Andy brings a wealth of corporate governance and capital markets expertise to the Group.

LORRAINE YOUNG

(Independent Non-executive Director)

Lorraine was appointed to the Board on 10 August 2017. Lorraine runs a board advisory practice and is also a non-executive director of PHSC plc, an AIM listed company, for which she chairs the audit committee. Lorraine is a Past President and Fellow of ICSA, the Governance Institute. She has held senior governance roles at a number of blue-chip companies, including Standard Chartered plc and Brambles Industries plc. She ran her own company secretarial and corporate governance advisory practice for 13 years, which in 2016 she merged with the company secretarial team at Shakespeare Martineau, where she was a partner. She left the firm in February 2019 to pursue her own consultancy interests once more.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The directors recognise the importance of sound corporate governance taking into account the Company's size and stage of development. The Board of Directors has formally adopted the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council ("FRC") and believes that the Code provides a suitable benchmark for the Company's corporate governance framework. A copy of the Code is available from the Financial Reporting Council's website.

The Board has considered the 2018 version of the Code applicable to financial years beginning on or after 1 January 2019. Work has begun on updating the Company's corporate governance arrangements to take account of the new Code and the Board will report against it in next year's Annual Report.

For the purposes of this report, we report against the 2016 Code. The rest of the report outlines how the Company has applied the principles of the Code and complied with its provisions.

LEADERSHIP

The Board currently comprises five directors: the non-executive and non-independent Chair, two executive directors and two independent non-executive directors. Biographical details of each director together with details of their significant commitments are set out on pages 18 and 19 of this report.

The directors have a duty to promote the success of the Company and to this end the Board has clearly defined responsibilities set out in a formal schedule of matters reserved for its decision which includes:

- setting the Company's strategy;
- approving any major changes to the Group's structure or share capital;
- approving the annual report and accounts and shareholder communications;
- ensuring a sound system of internal controls and risk management;
- approving major contracts;
- determining the remuneration policy (on the recommendation of the remuneration committee); and
- making appointments to the Board and other offices.

To assist the Board in carrying out its functions, the Board has delegated certain responsibilities to its audit and risk, remuneration and nomination committees all of whom operate within a scope and remit defined by specific terms of reference determined by the Board and reviewed regularly. Further details including the composition and role of each of these committees are provided on pages 21 and 23. The terms of reference of each committee are available on the Company's website at https://www.cityoflondongroup.com/investors/

THE ROLE OF THE CHAIR AND THE CHIEF EXECUTIVE OFFICER

The roles of the Chair and Chief Executive Officer are separate, with a clear division of responsibilities, which has been set out in writing and approved by the Board, to ensure that no one individual on the Board has unfettered authority.

The Chair is responsible for setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items. The Chair promotes a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

Although the Chair is not deemed independent within the definition of the Code, the Board believes that he remains independent in character, skill and judgement.

The Chief Executive Officer is responsible for managing the day-to-day operations and the implementation of the strategy of the Company.

EFFECTIVENESS

The directors

The directors possess a wide range of skills, knowledge and experience relevant to the leadership of the Company, including financial, legal, regulatory and industry experience as well as the ability to provide constructive challenge to the views and actions of executive management in meeting agreed goals and objectives.

Board procedures

The Board meets at least six times each year with additional meetings scheduled when required. At each meeting, the Board receives regular business updates from across the Group as well as financial, strategic, performance, investor relations and governance updates.

Ahead of each board and committee meeting, papers are circulated by the company secretary to provide Board members with sufficient time to consider the matters to be discussed.

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

CONFLICTS OF INTEREST

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

BOARD EVALUATION

In compliance with the Code, the Board undertook an evaluation of its own performance, that of the Board Chair, individual directors and its committees. This process was led by the Board Chair (supported by the company secretary) and was conducted using a questionnaire designed to assess the strengths and weaknesses of the Board and its committees including:

- composition, skills, balance, experience;
- effectiveness of the Board and decision making;
- resourcing of meetings, agenda planning, quality of information; and
- evaluation of individual performance and areas for improvement.

The results of the evaluation revealed no significant concerns amongst the directors with regard to the composition, operation and effectiveness of the Board or its committees. However there were some areas identified to further improve the effectiveness of the Board such as succession planning. Appropriate actions to address these will be taken forward during the course of the year.

The Board does not consider it necessary at present to employ the services or to incur the additional expense of an external third party to conduct the evaluation process but will keep this under review.

APPOINTMENT, TENURE AND RE-ELECTION

The Board may appoint a director as it thinks fit. The appointment of any new director is made on the basis of assessing the candidate's merits and measuring his or her skills and experience against the criteria identified by the Board. Whilst the Board has not put in place a policy on Diversity, the Board fully endorses the Code principle to promote diversity of gender, social and ethnic backgrounds on the Board and would always consider this when making any new director appointments.

The Board recognises the importance of succession planning to refresh the Board and the Code provisions relating to this. Whilst the Board has no succession plans in place at this time, it is envisaged that should a Board member be unable to fulfil their duties for a period of time, one of the other directors with the most appropriate experience would step in to perform the role on an interim basis until a longer-term solution was identified. Longer term succession planning will be reviewed and put in place during the course of the year.

The Company considers the annual re-election of directors to be good corporate governance and has therefore chosen to follow this practice. As such, all directors will retire and stand for re-election at the AGM.

The Board has considered and reviewed the independence and effectiveness of each non-executive director, taking into account the results of the Board evaluation and any factors that may affect, or could appear to affect, a director's judgement and therefore their independence and believes that all non-executive directors continue to meet the independence criteria as outlined within the Code.

The Board confirms that each of the directors proposed for re-election at the AGM continues to demonstrate the necessary commitment and to be a fully effective member of the Board.

The non-executive directors serve on the basis of letters of appointment, which are available for inspection at each annual general meeting and at the Company's registered office. Further details on their terms of appointment can be found on page 27 of this report.

AUDIT AND RISK COMMITTEE REPORT

The committee was chaired by Andrew Crossley throughout the year and its other members were Colin Wagman and Lorraine Young. Andrew Crossley has recent and relevant financial experience and the committee as a whole has competence in the sector in which the Company operates.

Other individuals such as the executive directors and representatives from the finance function are invited by the committee to attend meetings from time to time.

FINANCIAL RESULTS

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

- Recognition of revenue (gains on the revaluation/ disposal of interests in properties and interest income), where there is a risk that revenue may be overstated. Testing confirmed income had been recognised in the correct accounting period.

- Valuation of the reversionary interests in the investment properties and equity release plan financial assets (affecting both revenue recognition and carrying value in the balance sheet) which involves a large degree of judgement and estimation. Testing confirmed that the methodology and estimates adopted were reasonable and consistent with previous practice.

- Provision for impairment on loans and finance leases following the adoption of IFRS 9 in place of IAS 39 with effect from 1 April 2018. The integrity of the results generated by IFRS 9 is highly dependent on the integrity of the data used in the calculations and on the assumptions made in the calculations.

- Impairment of carrying value in subsidiaries, including equity and loans provided, which would reduce the net asset value of the Company and Group. The review of future projections and cash flow forecasts concluded that no further provisions were required in relation to the carrying value of investments.

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

EXTERNAL AUDITORS

The committee considered the scope and findings of the external audit as well as the independence and objectivity of the external auditors. The committee has agreed the policy for the provision of non-audit services by the auditors. The committee does not regard the non-audit fees, compared to the audit fees, as being at a level that could influence the auditors' objectivity. The split between audit and non-audit fees for the year under review appears in note 7 on page 57.

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

BDO LLP has been the external auditor for the Company since 2013. The appointment of BDO LLP is reviewed by the Committee each year, taking into account relevant legislation, guidance and best practice. In June 2019, the Committee considered the performance of the external auditor and the effectiveness of the audit process by discussing the results of the 2019 external audit, including their views on material accounting issues and key judgements and estimates; considering the robustness of the audit process; reviewing the quality of the people and service provided by BDO LLP and assessing their independence and objectivity. The Committee was satisfied with the effectiveness of the external auditor.

INTERNAL AUDIT

The audit and risk committee, having reviewed the need for internal audit, agreed that it was not appropriate for a business of the Company's size to have an internal audit function at the present time. Should the application for a UK banking licence be successful, the Group will put suitable internal audit arrangements in place.

BOARD REVIEW OF INTERNAL CONTROLS AND RISK MANAGEMENT

There is an ongoing process, which is kept under regular review by the Board, for identifying, evaluating and managing, rather than eliminating, the significant risks faced by the Group. The Board believes that the Group's system of internal controls outlined below continues to be sufficient for the business.

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

The key controls are:

- Clearly defined organisational responsibilities and limits of authority.

- Established procedures for authorisation of capital expenditure and investment of cash resources.

- Production of monthly management accounts which are compared to budget together with a review of detailed KPIs and explanation of key variances.

- COLG executive directors participate in regular management meetings of subsidiaries and review their monthly management accounts.

- Regular audit reports commissioned by third party lenders to CAML.

- Monthly bank and key control account reconciliations.

- Payment authorisation controls.

- The maintenance of detailed risk registers which includes analysis of all the key risks facing the Group. These are reviewed by both the audit and risk committee and the full Board.

- The monitoring and control of credit risks by a central credit committee that sets loan sanctioning limits for the Group's lending businesses.

The respective responsibilities of the directors and the auditors in connection with the financial statements are explained on pages 79 and 84. The directors' statement on going concern is on pages 14 and 15.

The directors confirm that they consider the annual report and accounts, taken as a whole, to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

REMUNERATION COMMITTEE

The role, composition and activities of the remuneration committee and details of how the Company applies the principles of the Code in respect of directors' remuneration are set out in the Directors' Remuneration report on pages 25 to 27.

No director is involved in discussions or decisions on their own remuneration.

The remuneration of the non-executive directors is determined by the Board. Details of directors' remuneration appear in the Directors' Remuneration report.

NOMINATIONS COMMITTEE

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

ATTENDANCE AT MEETINGS

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

	Board		Audit & risk committee		Remuneration committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
A J Crossley	7	7	3	3	1	1
M H Goldstein	7	7	–	–	–	–
P G Milner	7	7	–	–	–	–
C R Rumsey (a)	3	3	–	–	–	–
C B Wagman	7	7	3	3	1	1
L E Young	7	7	3	3	1	1

(a) C R Rumsey resigned as a director of the Company on 13 September 2018 and retired as managing director of Milton Homes Group in May 2019.

RELATIONS WITH SHAREHOLDERS

The Board is committed to ensuring there is open and effective communication with the Company's shareholders and that the directors understand the views of major shareholders on matters such as governance, strategy and performance. The Company's Chief Executive Officer maintains a regular dialogue with investors and provides the Board with regular reports on feedback from shareholders. The Annual Reports of the Company are sent to all shareholders and, on request, to other parties who have an interest in the Group's performance.

All shareholders are encouraged to attend and vote at the Company's AGM on 5 September 2019. Shareholders wishing to communicate directly with the Board or to lodge a question in advance of the AGM should contact the company secretary at the address shown on the inside back cover.

The Company endeavours to send the notice of AGM and supporting papers to shareholders at least 20 working days before the meeting and responds promptly to any enquiries received from shareholders.

Ben Harber
Company Secretary
14 July 2019

DIRECTORS’ REMUNERATION REPORT

ANNUAL REPORT ON REMUNERATION

Remuneration committee

The committee members are Colin Wagman, who chairs the committee, Andrew Crossley and Lorraine Young. The remuneration committee is formally constituted with written terms of reference which set out its full remit. A copy of the terms of reference is available on the Company’s website www.cityoflondongroup.com.

The remuneration committee is responsible for developing the policy on remuneration for executive directors and senior management and for determining specific remuneration packages for each of the executive directors.

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

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

The remuneration committee met once during the year.

The committee did not use remuneration advisers during the year.

The executive directors were on part time contracts.

REMUNERATION OF EXECUTIVE DIRECTORS

Elements of remuneration

During the year, the executive directors’ total remuneration consisted of base salary. In addition, the executive directors were awarded share options under the Share Option Plan 2017.

Base salary

When determining the salary of the executive directors, the remuneration committee takes into consideration the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity.

SHARE OPTION SCHEMES

Fixed price options

Details of the share options held and awards are given in the table on page 27.

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

Single total figure of remuneration for each director

Directors' remuneration as a single figure for years ended 31 March 2019 and 2018.

Executive directors

For the year ended 31 March 2019	Salary £	All taxable benefits £	Total £
Michael Goldstein	175,000	–	175,000
Paul Milner	100,000	–	100,000
Chris Rumsey (a)	101,732	–	101,732
For the year ended 31 March 2018			
Michael Goldstein (b)	85,705	–	85,705
Paul Milner (c)	48,955	–	48,955
Chris Rumsey (d)	112,522	673	113,195

(a) Remuneration for the period to the date of his resignation from the board of the Company on 13 September 2018. Mr Rumsey was the managing director of the Milton Homes Group which met his remuneration costs until his retirement in May 2019.

(b) Appointed 5 October 2017.

(c) 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.

(d) Remuneration for the period from his date of appointment on 5 October 2017.

Non-executive directors

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Colin Wagman (a)	30,000	15,000
Andrew Crossley (b)	27,500	27,500
Paul Milner (c)	–	14,051
Lorraine Young (d)	27,500	17,734

(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.

STATEMENT OF DIRECTORS' SHARE INTERESTS

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

	At 31 March 2019	At 31 March 2018
Andrew Crossley	–	–
Michael Goldstein	–	–
Paul Milner	16,238	16,238
Chris Rumsey	–	–
Colin Wagman	250,000	–
Lorraine Young	–	–

SHARE HELD BY EBT

21,349 shares were held by the Employee Benefit Trust at 31 March 2019 and 31 March 2018.

SHARE OPTIONS

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

	Date of grant	At 31/03/18	Granted in year	At 31/03/19 (a)	Exercisable from	Exercisable to	Exercise price
M Goldstein	05/10/17	555,556		555,556	05/10/2020	05/10/2027	90.00p
	31/07/18		344,828	344,828	31/07/2021	31/07/2028	145.00p
P Milner	05/10/17	333,333		333,333	05/10/2020	05/10/2027	90.00p
	31/07/18		137,931	137,931	31/07/2021	31/07/2028	145.00p
C Rumsey	05/10/17	111,111		111,111	05/10/2020	05/10/2027	90.00p
		1,000,000	482,759	1,482,759			

(a) For C Rumsey, at 13 September 2018, the date of his resignation from the Board of the Company

SERVICE CONTRACTS

Details of executive directors' service contracts are shown below.

Director	Date of contract	Unexpired term	Notice period	Compensation payable on early termination
Michael Goldstein	14 September 2017	6 months rolling	6 months	Contractual
Paul Milner	14 September 2017	6 months rolling	6 months	Contractual
Chris Rumsey (a)	8 January 2008	12 months rolling	12 months	Contractual

(a) Mr Rumsey's service agreement, which was with the Milton Homes Group, has now ended following his retirement as managing director in May 2019.

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

Director	Date of letter of appointment	Unexpired term	Notice period	Compensation payable on early termination
Andrew Crossley	13 September 2018	27 months	1 month	None
Colin Wagman	14 September 2017	15 months	1 month	None
Lorraine Young	10 August 2017	13 months	1 month	None

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

Colin Wagman
Chairman of Remuneration committee
14 July 2019

DIRECTORS' REPORT

This is the Directors' report for the year to 31 March 2019.

RESULTS AND DIVIDENDS

The results for the Group are set out on page 32. No dividends were declared during the year (2018: nil).

EVENTS SINCE THE YEAR END

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

FUTURE DEVELOPMENTS IN THE BUSINESS

Information on future developments is included in the Strategic report.

FINANCIAL RISK

Financial risk management objectives and policies and relevant risk disclosures are set out in note 34.

PRINCIPAL ACTIVITY

The Company is the parent company of a group which currently has three businesses, the first focused on providing finance to the SME sector and the second on administering a portfolio of traditional and innovative home reversion plans in the UK residential property market. The Company recently acquired a third business which operates as a financial services intermediary focusing on the SME market and extends the range of services offered by the Group. If, as hoped, a UK banking licence is granted to the Company's subsidiary, Recognise Financial Services Limited, the Group will be able to provide further financial services to serve the UK SME market. The Board believes there are particular opportunities in these sectors.

DIRECTORS AND THEIR INTERESTS

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

A J Crossley
M H Goldstein
P G Milner
C R Rumsey (resigned 13 September 2018)
C B Wagman
L E Young

In addition M G Cohen, alternate to C B Wagman, resigned on 24 April 2018.

Biographical details of the current directors are given on pages 18 and 19.

Directors' interests in the shares of the Company are shown in the Directors' Remuneration report on page 26.

SHARE CAPITAL

Details of the share capital of the Company in issue during the financial year and changes to it can be found in note 26.

MAJOR INTERESTS IN ORDINARY SHARES

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

	Number of ordinary shares at 14 July 2019	**%**
DV4 Limited	18,666,667	46.9
Max Barney Investments Limited	12,829,815	32.2

The Company has Relationship Agreements with 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.

DIRECTORS' INDEMNITIES AND INSURANCE

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The statement of directors' responsibilities is set out on page 79 of this annual report.

FINANCIAL INSTRUMENTS

Details of the financial instruments to which the Group is a party are included in note 33 to the financial statements.

AUDIT INFORMATION

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

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

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

AUDITORS

BDO LLP have indicated their willingness to continue in office and a resolution proposing their reappointment as auditors will be put to members at the annual general meeting to be held on 5 September 2019.

ANNUAL GENERAL MEETING

This year's annual general meeting will be held at 12.30 pm on 5 September 2019 at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR. Notice of the meeting can be found on pages 86 and 87 of this document.

EXPLANATION OF BUSINESS

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

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

Resolutions 2 to 6 – re-election of directors – Under the recommended best practice set out in the UK Corporate Governance Code, all of the directors should retire and submit themselves for re-election at each AGM. The directors have decided to follow this best practice guidance and therefore they are all standing for re-election.

Resolution 7 – reappointment of auditors and determination of their fees – Company law requires shareholders to reappoint the auditors each year. The audit and risk committee has reviewed the effectiveness, independence and objectivity of the external auditors and, on behalf of the Board of directors, recommends the external auditors' reappointment. The resolution also authorises the directors to determine the auditors' remuneration in accordance with normal practice.

Resolution 8 – authority to allot shares – This ordinary resolution seeks shareholder' authority for the directors under section 551 of the Companies Act 2006 ("the Act") to allot unissued shares and to grant rights to subscribe for, or to convert any security into, shares in the Company. This authority will, if granted, expire, unless previously revoked, renewed or varied, at the conclusion of next year's AGM, or, if earlier, on 30 September 2020, although offers or agreements can be made before the expiry of that period, which might require shares to be allotted or rights granted after the expiry of that period. This authority, if approved, will be limited to a maximum nominal amount of £796,145.26, representing a maximum of 39,807,263 ordinary shares of 2 pence each, equivalent to 100 per cent of the issued capital of the Company as at 14 July 2019 being the date of approval of the financial statements. As stated in the Chairman's statement, the directors believe that they should have the authority proposed in the resolution to enable the Company to raise sufficient new equity to finance the business opportunities if a banking licence is obtained.

Resolution 9 – disapplication of pre-emption rights for the issue of new shares – If the directors wish to allot new shares and other equity securities for cash, the Act requires that any such shares are offered first to existing shareholders in proportion to their holdings. This is known as shareholders' pre-emption rights. There may be occasions, however, when the directors need the flexibility to finance business opportunities as they arise without offering securities on a pre-emptive basis. The Act allows a limited disapplication of these pre-emption rights in certain circumstances. Therefore, this resolution, which will be proposed as a special resolution, authorises the directors to issue, for cash, up to a total nominal amount of £796,145.26 in ordinary shares (that is 39,807,263 ordinary shares of 2 pence each), equivalent to approximately 100 per cent of the issued share capital of the Company (as at 14 July 2019), without the shares first being offered to existing shareholders. This resolution will be proposed subject to resolution 8 (referred to above) first being carried at the meeting and the authority sought, if granted, will be for the same period as that granted under resolution 8.

Resolution 10 – authority for the Company to make market purchases of its own shares – The Act permits market purchases of shares subject to certain defined limits and there being distributable profits available for the purchase. Shareholder approval is required before such purchases can be made. This special resolution provides the required authority. This resolution is seeking to authorise the Company to make market purchases of its own shares up to a maximum amount of 3,980,726 ordinary shares. This represents 10 per cent of the Company's issued capital at 14 July 2019.

The maximum price paid per share shall be equal to 5 per cent above the average market values of the shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date on which the share is purchased. The minimum price paid shall be the nominal value per share. The directors will only use this authority to purchase shares after careful deliberation, taking into account market conditions, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. The directors will also take into account the effects on earnings per share and the benefit for shareholders generally. Any shares bought by the Company under this authority will either be held in treasury, with a view to possible re-issue at a future date, or cancelled. The directors will decide at the time of purchase whether to cancel shares immediately or to hold them in treasury. In relation to treasury shares, the Board would also have regard to any investor guidelines in relation to the purchase of shares intended to be held in treasury or in relation to their holding or resale which may be in force at the time. This authority will expire, unless previously revoked, renewed or varied, at the conclusion of next year's AGM or on 30 September 2020, whichever is earlier.

VOTING

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

By order of the Board

Ben Harber
Company Secretary
14 July 2019

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Revenue	5	7,510	5,782
Cost of sales	5	(14)	(7)
Gross profit		7,496	5,775
Administrative expenses:	7		
Banking licence application		(1,643)	(406)
Acquisitions		(95)	(669)
Other		(4,482)	(2,913)
Share of profits of associates	18	6	103
Other income	8	228	114
Profit from operations		1,510	2,004
Finance expense	10	(4,999)	(3,059)
Loss before tax		(3,489)	(1,055)
Tax expense	11	(77)	(130)
Loss for the year		(3,566)	(1,185)
Loss for year before costs associated with acquisitions and banking licence application		(1,828)	(110)
Costs associated with acquisitions and banking licence application		(1,738)	(1,075)
Loss for the year		(3,566)	(1,185)
Loss for the year attributable to:			
Owners of the parent		(3,579)	(1,132)
Non-controlling interests		13	(53)
Loss for the year		(3,566)	(1,185)
Basic and diluted earnings per share attributable to owners of the parent	13	(12.21)p	(7.53)p

The Group had no discontinued operations in either 2019 or 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	31 March 2019 £'000	31 March 2018 £'000
Total loss for the year	(3,566)	(1,185)
Total comprehensive expense	(3,566)	(1,185)
Total comprehensive expense attributable to:		
Owners of the parent	(3,579)	(1,132)
Non-controlling interests	13	(53)
	(3,566)	(1,185)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent company					Attributable to non-controlling interests £'000	Total equity £'000
	Equity instrument £'000	Accumulated losses £'000	Share premium £'000	Share capital £'000	Total £'000		
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							
As originally presented	–	(18,136)	37,720	4,233	23,817	(50)	23,767
IFRS 9 adjustment to opening provision for impairment (note 4)	–	24	–	–	24	–	24
Restated total equity at 31 March 2018	–	(18,112)	37,720	4,233	23,841	(50)	23,791
Loss for the year – continuing operations	–	(3,579)	–	–	(3,579)	13	(3,566)
Total comprehensive income	–	(3,579)	–	–	(3,579)	13	(3,566)
Contributions by and distributions to owners							
Rollover Loan Notes 2021 (note 18(a))	1,293	–	–	–	1,293	–	1,293
Value of employee services	–	67	–	–	67	–	67
Reduction in non-controlling interests	–	(48)	–	–	(48)	50	2
Acquisition of minority interest	–	–	–	–	–	–	–
Issue of shares	–	–	12,384	203	12,587	–	12,587
Total contributions by and distributions to owners	1,293	19	12,384	203	13,899	50	13,949
At 31 March 2019	1,293	(21,672)	50,104	4,436	34,161	13	34,174

COMPANY STATEMENT OF CHANGES IN EQUITY

	Equity instrument £'000	Accumulated losses £'000	Share premium £'000	Share capital £'000	Total £'000
At 31 March 2017	–	(17,034)	14,332	3,685	983
Loss for the year	–	(1,064)	–	–	(1,064)
Total expense for the year	–	(1,064)	–	–	(1,064)
Value of employee services	–	15	–	–	15
Issue of shares	–	–	23,388	548	23,936
At 31 March 2018	–	(18,083)	37,720	4,233	23,870
Loss for the year	–	(342)	–	–	(342)
Total expense for the year	–	(342)	–	–	(342)
Rollover Loan Notes 2021 (note 18(a))	1,293	–	–	–	1,293
Value of employee services	–	67	–	–	67
Issue of shares	–	–	12,384	203	12,587
Total contributions by and distributions to owners	1,293	67	12,384	203	13,947
At 31 March 2019	1,293	(18,358)	50,104	4,436	37,475

CONSOLIDATED BALANCE SHEET

as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Assets			
Non-current assets			
Investment properties	14	41,040	44,926
Financial assets – equity release plans	15	30,485	30,213
Intangible assets	16	3,480	2,180
Property, plant and equipment	17	73	16
Interests in associates	18	–	292
Other investments	19	138	138
Loans	20	3,967	4,506
Finance leases	20	2,294	2,689
Total non-current assets		81,477	84,960
Current assets			
Loans	20	10,645	6,291
Finance leases	20	1,807	2,352
Trade and other receivables	21	2,474	1,566
Cash and cash equivalents	22	15,760	6,685
Total current assets		30,686	16,894
Total assets		112,163	101,854
Current liabilities			
Borrowings	23	(7,945)	(9,331)
Trade and other payables	23	(2,711)	(2,578)
Total current liabilities		(10,656)	(11,909)
Non-current liabilities			
Borrowings	24	(66,106)	(65,494)
Other creditors	24	(483)	–
Deferred tax liability	25	(744)	(684)
Total non-current liabilities		(67,333)	(66,178)
Total liabilities		(77,989)	(78,087)
Net assets		34,174	23,767
Equity			
Share capital	26	4,436	4,233
Share premium		50,104	37,720
Equity instrument	18	1,293	–
Accumulated losses		(21,672)	(18,136)
Equity attributable to owners of the parent		34,161	23,817
Non-controlling interests	27	13	(50)
Total equity		34,174	23,767

The notes on pages 40 to 78 are an integral part of these financial statements.
The financial statements were approved by the Board and authorised for issue on 14 July 2019.
They were signed on its behalf by

Michael Goldstein
Chief Executive Officer

COMPANY BALANCE SHEET

as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	17	50	1
Investment in subsidiary companies	18	14,752	12,173
Investment in Deep Discount Bonds	18	9,627	11,696
Other investments	19	138	138
Total non-current assets		24,567	24,008
Current assets			
Loans	20	29	37
Trade and other receivables	21	4,211	191
Cash and cash equivalents	22	13,136	1,751
Total current assets		17,376	1,979
Total assets		41,943	25,987
Current liabilities			
Trade and other payables	23	(1,935)	(2,117)
Total current liabilities		(1,935)	(2,117)
Non-current liabilities			
Borrowings	24	(2,050)	–
Other creditors	24	(483)	–
Total non-current liabilities		(2,533)	–
Total liabilities		(4,468)	(2,117)
Net assets		37,475	23,870
Equity			
Share capital	26	4,436	4,233
Share premium		50,104	37,720
Equity instrument	18	1,293	–
Accumulated losses		(18,358)	(18,083)
Total equity		37,475	23,870

The parent company's loss after tax for the financial year amounts to £342,000 (2018: loss £1,064,000).

The notes on pages 40 to 78 are an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 14 July 2019.

They were signed on its behalf by

Michael Goldstein
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	31 March 2019 £'000	31 March 2018 £'000
Cash flows from operating activities		
Loss before tax	(3,489)	(1,055)
Adjustments for:		
Depreciation and amortisation	23	18
Share-based payments	67	15
Impairment of goodwill	78	–
Share of profits of associates	(6)	(103)
Investment properties and equity release plan financial assets:		
Increases in the fair values of these assets	(2,282)	(2,364)
Realised gains on the disposal of these assets	(777)	(417)
Equity transfer income	(1,497)	(809)
Interest payable	4,999	3,059
Changes in working capital:		
(Increase) in trade and other receivables	(438)	(262)
(Decrease)/increase in trade and other payables	(323)	320
Leases advanced	(1,261)	(3,707)
Leases repaid	2,788	3,793
Loans advanced	(19,902)	(10,366)
Loans repaid	15,875	7,643
Loans repaid by related parties	375	875
Cash used in operations	(5,770)	(3,360)
Corporation tax	–	–
Net cash used in operating activities	(5,770)	(3,360)
Cash flow from investing activities		
Proceeds from the sale of Investment properties and equity release plan financial assets	8,253	4,392
Receipt of deferred consideration arising from prior year disposal of assets held for sale	–	770
Return of seed capital in legal case investments	–	2
Distribution of profits from related parties	298	35
Proceeds of shares sold or issued to non-controlling interests	2	3
Purchase of 50% interest in joint venture partnerships (note 18)	(726)	–
Purchase of Investment properties and equity release plan financial assets	(83)	(34)
Purchase of property, plant and equipment	(69)	(7)
Cash acquired on acquisition of Acorn to Oaks	262	–
Acquisition of Milton Homes, net of cash acquired	–	(5,001)
Net cash generated from investing activities	7,937	160
Cash flow from financing activities (see note 32)		
Proceeds from issue of ordinary shares for cash	12,472	10,736
Proceeds from the issue of 6% Unsecured Convertible Loan Notes 2021	2,050	–
Loans drawn down	22,944	13,290
Repayment of loans	(29,756)	(15,047)
Interest paid	(802)	(857)
Net cash generated from financing activities	6,908	8,122
Net increase in cash and cash equivalents	9,075	4,922
Cash and cash equivalents brought forward	6,685	1,763
Net cash and cash equivalents	15,760	6,685
Cash and cash equivalents	15,760	6,685
Bank overdraft	–	–
Net cash and cash equivalents	15,760	6,685

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	31 March 2019 £'000	31 March 2018 £'000
Cash flows from operating activities		
Loss before tax	(342)	(1,064)
Adjustments for:		
Depreciation	11	2
Share based payments	67	15
Provision for losses in subsidiaries	305	–
Provision/ (release of provision) for amounts owed by related parties	13	(17)
Dividends from subsidiaries	(349)	–
Interest receivable	(1,142)	(547)
Interest payable	182	167
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(358)	534
Increase in trade and other payables	151	102
Net cash used in operating activities	(1,462)	(808)
Cash flow from investing activities		
Receipt of deferred consideration arising from prior year disposal of assets held for sale	–	770
Return of seed capital in legal case investments	–	2
Acquisition of Milton Homes – cash element of consideration	–	(6,500)
Subscription for shares in Recognise	(1,000)	(1,007)
Other amounts subscribed for shares in group companies.	–	(465)
Loans advanced to group companies	(6,054)	–
Loans repaid by group companies	2,510	–
Repayments of Deep Discount Bonds by Milton Homes	3,100	–
Purchase of property, plant and equipment	(60)	(1)
Net cash used in investing activities	(1,504)	(7,201)
Cash flow from financing activities (see note 32)		
Proceeds from issue of ordinary shares	12,472	10,736
Proceeds from issue of 6% Unsecured Convertible Loan Notes 2021	2,050	–
Loans drawn down	2,354	–
Loans repaid	(2,354)	(1,028)
Interest paid	(171)	(186)
Net cash generated from financing activities	14,351	9,522
Net increase in cash and cash equivalents	11,385	1,513
Cash and cash equivalents brought forward	1,751	238
Net cash and cash equivalents	13,136	1,751
Cash and cash equivalents	13,136	1,751
Bank overdraft	–	–
Net cash and cash equivalents	13,136	1,751

NOTES TO THE FINANCIAL STATEMENTS

1 General information
City of London Group plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is 6th Floor, 60 Gracechurch Street, London EC3V 0HR. The Company is listed on AIM.

City of London Group plc is the parent company of a group which currently has three business arms, the first focused on providing finance to the SME sector, including professional services firms, through both loan and lease finance while the second administers traditional and innovative home reversion plans in the UK residential property market. The Company's recently acquired third business is a financial services intermediary that focuses on the SME market, enabling the Group to extend its offering to that market. A subsidiary of the Company, Recognise Financial Services Limited, is in the process of applying for a UK banking licence. Details of the activities of the Group are given in the Strategic report.

These consolidated and separate financial statements have been approved for issue by the Board of directors on 14 July 2019.

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

2.1 Basis of preparation
The consolidated and separate financial statements of City of London Group plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets – equity release plans and other investments (principally comprising legal case investments). These financial assets and instruments are carried at fair value.

These consolidated and separate financial statements have been prepared in accordance with and in compliance with the Companies Act 2006. The Company has taken advantage of section 408 of the Companies Act 2006, and the Statement of Income and the Statement of Comprehensive Income of the parent company are not presented.

The directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. The Group's going concern position is further discussed in the Strategic report on page 14. The Strategic report also includes a Group viability statement on page 15.

At the date of authorisation of these financial statements, the following standard which has not been applied in these financial statements was in issue but not yet effective. This standard, which is effective for annual periods beginning on or after 1 January 2019, has been adopted by the EU.

IFRS 16 'Leases' – Provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. This standard is effective for accounting periods beginning on or after 1 January 2019.
The Group has completed an assessment of the impact of IFRS 16. Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and the adoption of IFRS 16 will have no impact on the financial statements. IFRS 16 will change the basis of accounting for leases previously classified as operating leases under IAS 17: for the Group these principally comprise leases for properties occupied by Group companies. The accounting treatment for these leases is summarised below.

On initial application of IFRS 16 the Group will:

- recognise right-of-use assets and lease liabilities in the Consolidated balance sheet, initially measured at the present value of the future lease payments;

- recognise depreciation of right-of-use assets and interest on lease liabilities in the Consolidated income statement; and

- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated statement of cash flows.

Lease payments are currently reported as an administrative expense. Under IFRS 16 interest expense on the lease liability will be presented as a finance cost and the depreciation charge for the right-of-use asset will be presented under administrative expenses. The expense profile of the Consolidated income statement will change, with a higher finance cost in earlier years of the lease.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. For low value and short-term leases (lease term of 12 months or less), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16. The terms of the leases presently in place are such that the impact of adopting IFRS 16 will be immaterial.

2.2 Adoption of new standards and interpretations
The following new standards and interpretations were adopted for the first time in these financial statements:

IFRS 9 'Financial instruments'; and

IFRS 15 'Revenue from Contracts with Customers'.

Further information on IFRS 9 and the basis of its implementation by the Group is given in note 4.

The adoption of IFRS 15, which introduces a 5-step approach to the timing of revenue recognition based on performance of the obligations in customer contracts, has had no material impact on the Group as the basis for revenue recognition under IFRS 15 is consistent with the practice already used by the Group.

IFRS 15 does not apply to financial instruments or lease contracts, the accounting for which is governed by other IFRSs. As a result, loan and lease income and income from financial assets – equity release plans, fall outside the scope of IFRS 15. The Group assessed its other revenue sources and determined that the adoption of IFRS 15 did not require any change in its approach to revenue recognition and there was no impact on the amount or timing of revenue. Revenue has been analysed by business area as detailed in note 5.

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

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

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

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

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

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

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

2 Summary of significant accounting policies continued

2.5 Business combinations

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

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

2.6 Intangible assets

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

2.7 Property, plant and equipment

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

Fixtures, fittings & equipment	3 years straight-line

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

2.8 Non-financial assets

(a) Investment property

Freehold and leasehold property held for capital appreciation that is not occupied by the Group is classified as investment property.

The investment properties held by Milton Homes were acquired through a traditional home reversion product where a customer sold all or part of the equity in their home to Milton Homes.

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 consolidated income statement 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 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.

(b) Other non-current assets

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

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

2.9 Financial assets
The Group and the Company classify financial assets in the following categories: financial assets – equity release plans, loans receivable, trade and other receivables, leases receivable and other investments (principally legal case investments). The classification depends on the purpose for which the financial assets were acquired.

(a) Financial assets – equity release plans
The financial assets - equity release plans comprise a modern product where Milton Homes acquires the right to a share of the customer's home: the percentage interest increases each month up to a predefined amount.

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.

Gains or losses arising from a change in the fair values of the financial assets are recognised in the consolidated income statement in the year in which they arise.

A financial asset is derecognised on disposal or when the financial asset is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the disposal of financial assets 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.

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

Loans and trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group has elected to account for finance leases and hire purchase agreements under IFRS 9. Following the adoption of IFRS 9, a provision for expected future credit losses on loans is made as explained in note 4. The amount of the provision is, as appropriate, disclosed separately in the income statement or recognised within 'administrative expenses.'

(c) Finance leases receivable
Where the Group leases out equipment under a lease or hire purchase agreement and there is a transfer of substantially all the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease and the net investment is included in interest-bearing leases receivable.

Amounts due under finance leases and hire purchase agreements are recognised initially at fair value and, subsequently, are measured at an amortised cost that reflects a constant periodic rate of return on the net investment outstanding.

Following the adoption of IFRS 9, a provision for expected future credit losses on finance leases and hire purchase agreements is made as explained in note 4.

(d) Investment in subsidiaries – separate financial statements
Investments in subsidiaries are accounted for at cost less impairment.

(e) Investment in Deep Discount Bonds – separate financial statements
The Company holds Deep Discount Bonds issued in 2015 by its wholly-owned subsidiary, Milton Homes Limited. The Deep Discount Bonds have an interest element of 10% accruing to reach the maturity value on the repayment date of 31 December 2020. Following their acquisition in October 2017, the Deep Discount Bonds were recorded at their fair value at that date, which was determined by discounting the maturity value at the coupon rate of 10%. Interest accruing since that date has been added to and partial repayments deducted from that amount to establish the fair value at subsequent dates. On the repayment date, the carrying value will be the maturity value of the remaining Deep Discount Bonds.

(f) Investment in associates
Investments in associates are accounted for at cost less impairment. Where an associate was formerly a subsidiary, the fair value determined at the date of losing control is regarded as the cost on initial recognition of the investment in the associate.

2 Summary of significant accounting policies continued

(g) Legal case investments

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

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

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

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

2.10 Cash and cash equivalents

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

2.11 Financial liabilities and equity

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

An equity instrument is any contract which evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the consideration received less any direct costs of issue and are included within equity.

2.12 Share capital

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

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

2.13 Dividends

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

2.14 Preference shares

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

2.15 Trade payables

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

2.16 Borrowings

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

2.17 Leases

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

2.18 Contingent consideration
The contingent consideration payable on a business combination if specified future events occur or conditions are met is recognised as part of the consideration at the acquisition date at its fair value. The obligation to pay contingent consideration is classified as a financial instrument or an equity instrument according to its terms.

Where the contingent consideration is classified as a financial instrument, it is recorded at acquisition at its amortised cost in accordance with IFRS 9.

Where there are changes in the fair value of the contingent consideration resulting from events after the acquisition date and the contingent consideration has not been classified as an equity instrument, the fair value is reassessed annually, and the changes are recognised in the profit and loss account.

No reassessment is made where the contingent consideration has been classified as an equity instrument.

2.19 Intra-group balances
Intra-group loans and similar balances between group companies are held at amortised cost. As these are financial instruments which come within the scope of IFRS 9, an assessment is made regularly to determine whether any provision for expected credit losses is required. The Group has applied the simplified approach to recognise lifetime expected credit losses on these intra-group balances.

2.20 Revenue and cost of sales
Revenue comprises profits arising on investment properties and financial assets – equity release plans, interest income, arrangement and other fees, including commission.

The profits arising on investment properties comprise the profit or loss on disposal of investment properties and the gain on revaluation of the investment properties. The profits arising on the financial assets – equity release plans comprise the profit or loss on reverted properties, the gain on the revaluation of these financial assets and the Equity Transfer Rate (“ETR”) income.

Profits or losses on the sale of financial assets and reverted properties are recognised on completion of the sale. Profits or losses on disposal are calculated as net sales proceeds less the carrying value of the Group’s beneficial interest in the properties determined with reference to the most recent valuation.

The gains or losses on revaluation of the Group’s interest in the investment properties and the equity release plan financial assets are recognised following completion of each quarterly valuation.

Equity Transfer Rate (“ETR”) income represents the recognition of the increase in the Group’s beneficial interest in the properties underlying the equity release plan financial asset portfolio in accordance with the contractual terms of the Retirement Plus Property Plan. ETR income is recognised on a monthly basis over the term of the plan until the Group’s beneficial interest reaches the maximum set out in each individual Property Plan.

Interest income is recognised on an accruals basis using the effective interest rate method.

Arrangement and other fees, including commission, are recognised as the underlying services are provided. The financial services intermediary recognises revenue when an insurance contract is placed with the insurance provider, following acceptance of the proposal from the client.

Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account. Amounts which the Group collects as agent on behalf of third parties are not recognised as revenue. Instead, revenue is the amount of fees and commission earned.

Costs directly attributable as cost of sales, which principally comprise commission and introduction fees paid to third parties, are recognised when incurred.

2.21 Other income
Other income is recognised on an accruals basis.

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

2 Summary of significant accounting policies continued

2.23 Employee benefits

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

The fair value of the employee services received by the Group is recognised as an expense. The total value of the expense is determined by reference to the fair value of the equity award granted including any market performance conditions, but excluding non-market conditions such as continued employee service periods. Non-market conditions are included in the assumptions about the number of equity awards that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At each reporting date the Group updates its estimate of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

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

2.24 Employee Benefit Trust (EBT)

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

2.25 Corporation tax

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

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

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

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

3 Judgements and estimates

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Valuation of investment properties

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

The Board is responsible for determining the Group's valuation policies and procedures. An external valuer is appointed to perform the valuation. The selection criteria used to select that valuer include their market knowledge and expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where the Group has taken vacant possession of property an allowance has been made against the full market value to take account of necessary refurbishment costs. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term – the length of time until vacant possession becomes due.

- Investment rate – also known as a discount rate and this includes a judgement of the current marketability and condition of the property.

- Cost saving rate – the potential cost saving of acquiring already existing life tenancy investments.

Changes are made in discount percentages in line with the market. There were no changes in valuation techniques during the year.

Valuation assumptions
Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2015-17. Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10% for younger tenants to 2.5% for older tenants. This remains unchanged from the prior period.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.75% to 7%. This remains unchanged from the prior period.

Cost saving rate – In determining the discount percentage, an adjustment is made for each property to take into account the potential cost saving of acquiring already existing life tenancy investments. It is estimated that the initial set up cost per property of acquiring life tenancy investments is approximately 5% of the value of the vacant possession equity being acquired.

1.25% uplift has been applied to account for the potential cost savings of acquiring already existing life tenancy investments. This remains unchanged from the prior year.

(b) Valuation of financial assets – equity release plans
Valuation method
The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the estimated equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

The Board is responsible for determining the Group's valuation policies and procedures. An external valuer is appointed to perform the valuation. The selection criteria used to select that valuer include their market knowledge and expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

3 Judgements and estimates continued
The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term – the length of time until vacant possession becomes due.

- Investment rate – also known as a discount rate and this includes a judgement of current marketability and condition of the property.

- Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession.

The resultant valuations are capped at the estimated value of the Group's interest in the vacant possession value of the property should it have been obtained at the balance sheet date.

Changes are made in discount percentages in line with the market. There were no changes in valuation techniques during the period.

Valuation assumptions
Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2015-17. Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10% for younger tenants to 2.5% for older tenants. This remains unchanged from the prior period.

Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession is calculated with reference to the expected investment term, the equity interest owned by the Group at the balance sheet date and the additional slices of equity in each property that will accrue under the terms of the equity release plans.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.75% to 7%. This remains unchanged from the prior period.

(c) Assessing impairment of investments in subsidiaries and associates
Investments in subsidiaries and associates are valued at cost less impairment.

The Group had two active operating platforms, CAML and Milton Homes Limited, throughout the year and acquired another operating company on 7 January 2019 when Acorn to Oaks Financial Services Limited, a financial services intermediary, became a wholly-owned subsidiary of the Company. Recognise Financial Services Limited continued the process of applying for a UK banking licence throughout the year.

CAML has its own management and operations and an opportunity and risk profile unique to its business. CAML had a successful year benefitting from the previous year's growth in business volumes and re-financing of its block funding facilities, as well as the purchase in June 2018 of the remaining portfolios of a joint venture fund which it had previously managed. While there was a 3% increase in new business levels in the year, the size of the "own book" portfolio fell by 3% over the year following a weaker than expected last quarter due to increased competition and competitive market rates. Overall yields were consistent with the previous year although there was a reduction in leasing yields year-on-year due to downward market pressure on asset finance. CAML continues to be well-placed to build on its established relationships and is looking to grow its originations through both existing channels and direct relationships.

Having considered these factors as part of the annual reassessment of the fair value of CAML, the directors have concluded that there has been no reduction in its fair value since 31 March 2019 and, accordingly, the Company's investment in CAML is carried at the same value as in the previous year.

The directors have considered the carrying value of the Company's investment in Milton Homes Limited which comprises ordinary shares and Deep Discount Bonds as part of the reassessment of the goodwill arising on the acquisition. Following the calculation of the present value of forecast future cash flows (see note 16), it was concluded that the value of the investment would gradually decline as its existing portfolio of properties was realised. While the projected cash flows showed that the Deep Discount Bonds would be repaid in full, it appeared probable the value of the ordinary shares would progressively reduce to zero over a period of seven years, with an impairment in the current year of £305k. Accordingly, the directors have concluded no provision for impairment is required for the Deep Discount Bonds but that a provision for impairment of £305k should be made for the ordinary shares. The fair value of the investment as at 31 March 2019 is thus £9,627k for the Deep Discount Bonds and £8,246k for the ordinary shares.

During the year, Recognise Financial Services Limited ("Recognise") progressed its application for a UK banking licence, continuing the process of developing and refining its operational plans which take account of feedback received from the Prudential Regulation Authority and Financial Conduct Authority on its submissions. The Company has invested a further £1,000k in Recognise to bring its total investment in ordinary and deferred shares to £2,007k at 31 March 2019 and has committed to provide additional funding to progress the application (see note 29). The directors consider that it is appropriate to continue to carry the investment at cost until the outcome of the application is known.

The Company acquired Acorn to Oaks Financial Services Limited in January 2019. The investment is carried at its cost of £2,100k, which includes a current estimate of the deferred consideration payable. This will be based on its profitability over the next three years (see note 18). The directors have concluded there has been no adverse change in the fair value of Acorn to Oaks since acquisition and it is appropriate to carry the investment at cost.

The directors consider the fair valuation of each underlying operating business to be an important measure of the current position of their operating businesses.

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

As stated above, the judgement as to the impairment of its investments is based on their forecast profitability and cash flows in the foreseeable future and, in the case of Recognise, the current status of its banking licence application. Actual results may deviate from these expectations, and as noted above, there is a risk of increased volatility arising in the Group's operating results from a provision for impairment if results are lower than anticipated.

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

(d) Dilapidations
The Company's lease on its previous office premises terminated on 28 May 2017 after it had exercised break-clause provisions contained in the lease. The amount payable for dilapidations has not yet been agreed with the landlord. The accounts include an estimate for dilapidations which was made after taking professional advice: the estimate is based on a comparable lease.

(e) Impairment of finance leases, hire purchase agreements and loans
Following the adoption of IFRS 9, a provision for expected future credit losses is made in respect of finance leases, hire purchase agreements and loans as explained in note 4. In previous years, a provision for impairments existing at the balance sheet date that would not become evident until a future date was made under IAS 39.

Where individual agreements are deemed to be credit impaired, the provision for impairment is determined on an individual basis by reference to past default experience and other recoverability information relating to the specific agreement, with recoverable amounts being assessed by reference to the expected future cash flows. The assessment covers a range of elements, including an assessment of any change to the credit quality of the customer, analysis of delinquency history both at the individual customer level and by relevant sectors, such as customer and asset type. Data available from credit rating agencies and generally available information in the public domain is also considered when assessing impairment levels required.

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

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

4 IFRS 9 and its implementation

IFRS 9 ‘Financial Instruments’ which is the replacement for IAS 39 ‘Financial Instruments: recognition and measurement’ has been applied for the first time in these financial statements.

The Group has elected not to restate comparatives on initial application of IFRS 9.

IFRS 9 introduces new requirements for:

- classification and measurement of financial assets and financial liabilities
- impairment methodology and
- hedge accounting.

As the Group does not use any hedging instruments, the IFRS 9 requirements on these do not apply.

Classification and measurement

A single classification and measurement model is to be used for financial assets, which is dependent on the entity’s business model for managing financial assets and the contractual cash flow characteristics of those financial assets.

Financial assets fall into one of three principal classification categories: (i) amortised cost, (ii) fair value through profit and loss or (iii) fair value through other comprehensive income. Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

The financial assets and liabilities of the Group and the basis of measurement are set out below. The adoption of IFRS 9 with effect from 1 April 2018 has not resulted in any changes in classification categories nor in the basis of measurement of items within each category:

Financial assets – equity release plans: The Group owns rights to increasing beneficial interests in residential properties in the UK through Property Plan agreements. 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. These assets continue to be measured at fair value through profit and loss (‘FVTPL’) under IFRS 9.

Finance leases, hire purchase agreements and loans: These are held solely for the collection of contractual cash flows, being interest, fees and repayments of principal. These assets continue to be held at amortised cost.

Legal case investments: These are carried at fair value and gains and losses arising from changes in fair value of each fund are recognised in other comprehensive income. These assets continue to be measured at fair value through other comprehensive income (‘FVOCI’).

Trade payables, financial liabilities and trade receivables are held solely for the collection and payment of contractual cash flows, being payments of principal and interest where applicable. These continue to be held at amortised cost.

Adjustment to reserves at 1 April 2018
The impairment allowance as at 31 March 2018 measured in accordance with the IFRS 9 model adopted by the Group has been assessed as £1,096,000, a decrease of £24,000 compared with the provision for impairment of £1,120,000 at that date under the IAS 39 incurred loss model.

The carrying amount of financial assets and liabilities in accordance with IAS 39 as at 31 March 2018 and the equivalent under IFRS 9 at 1 April 2018 are as shown below. All categories are measured at amortised cost under both IAS 39 and IFRS 9 unless stated otherwise.

	IAS 39 Net carrying amount £'000	**Impact of adopting IFRS 9 £'000**	**IFRS 9 Net carrying amount £'000**
Financial assets			
Financial assets – equity release plans (FVTPL)	30,213	–	30,213
Other assets – Legal case investments (FVOCI)	138	–	138
Loans	10,797	50	10,847
Finance leases	5,041	(26)	5,015
Trade and other receivables	1,566	–	1,566
Cash and cash equivalents	6,685	–	6,685
Financial liabilities			
Interest bearing borrowings	74,825	–	74,825
Trade and other payables	2,578	–	2,578

The carrying amount of loans and finance leases as at 1 April 2018 comprised the following:

Agreements categorised under IFRS 9 as being in:	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Gross amounts receivable	15,638	199	1,121	16,958
Impairment allowance	(254)	(5)	(837)	(1,096)
	15,384	194	284	15,862

The figure for the impairment allowance on Stage 3 agreements includes provisions on arrears for these agreements.

Impairment methodology
IFRS 9 introduces a new expected credit loss model for calculating impairment losses in place of the incurred credit loss model that applies under IAS 39. This requires entities to account for expected credit losses ('ECL') at the time of initial recognition of the financial asset and to account for changes in ECL at each reporting date to reflect changes in credit risk since initial recognition.

Entities are required to have regard to information about current conditions and reasonable forecasts about future expectations when assessing ECL. The process of assessing ECL involves the exercise of judgement by management which includes, inter alia, the estimation of probabilities of defaults, the exposures at default, the losses given default and the assessment of increases in credit risks, in the context of the future economic scenarios that may apply to the category of financial assets being considered.

The impact of adopting the impairment methodology of IFRS 9 in place of IAS 39 is expected to lead to more variability in year-on-year impairment charges in response to the increased use of estimates relating to future events, compared with IAS 39 which was based on an incurred loss model.

However, the adoption of IFRS 9 by the Group with effect from 1 April 2018 has not resulted in a material change in the impairment provisions carried in respect of finance leases, hire purchase agreements and loans at that date.

4 IFRS 9 and its implementation continued
The provision for impairment for finance leases, hire purchase agreements and loans made under IAS 39 comprised two elements:

- specific provisions on amounts owed made on an individual basis by reference to past default experience, any change in the credit quality of the customer and other recoverability information, including an assessment of expected future cash flows and

- collective impairment provision which assessed impairments existing at the balance sheet date that would not become evident until a future date.

The collective impairment provision was calculated by grouping the financial assets by type (whether finance lease, commercial loan or professional loan) and on the basis of similar credit risk categories, with risk scores obtained from a third-party credit risk agency. The provision for each category was based on past default experience for financial assets falling within that category and assessed the expected loss over the lifetime of agreements within the category. This approach, which was used for some years, proved to give an overall provision for impairment that reflected the loss experience of the portfolio.

While this methodology did not take explicit account of future expectations, the use of credit scores from an outside credit risk agency to allocate agreements into risk categories did reflect such expectations to some extent as the algorithms used by credit agencies reflect forecasts for particular industry sectors and demographics. As the Group's lease and loan portfolio is not highly concentrated in terms of either economic sector or geographical area, the most important general factor influencing future losses of the portfolio overall will be the future strength of the UK economy, as indicated in UK growth forecasts.

Key concepts and management judgements
The impairment requirements set out in IFRS 9 are complex and require the exercise of management judgements.

As part of its adoption of IFRS 9, the Group has undertaken an exercise to develop and document its rationale for selecting an ECL methodology appropriate for its current lease and loan portfolio, where the general approach in IFRS 9 has been adopted. The methodology has been applied to develop a model from which an impairment allowance can been determined: the application of the methodology and the model will continue to be refined and developed as experience is gained from its on-going use.

The key concepts and management judgements made include the following:

- whether there has been a significant increase in credit risk ('SICR') since the inception of an agreement;

- definition of default and credit-impaired assets; and

- forward looking information to be used in calculating ECLs

The Group considers both quantitative and qualitative information when considering if there has been a SICR. A significant reduction in a credit risk score by a credit agency (deterioration of 20 or more points) or the receipt of information on existing or future adverse changes affecting a customer, in conjunction with an expert credit risk assessment, would result in such an assessment, which is made at individual agreement level.

A financial instrument is defined to be in default when it meets one or more of the following criteria:

Quantitative criteria: an agreement is in default when contractual payments are more than 90 days past due.

Qualitative criteria: contractual payments are less than 90 days past due but, having regard to known circumstances such as an insolvency arrangement, it is judged unlikely that future payments will be made in full.

The definition of default has been applied consistently to model the items that are used in the calculation of ECLs – the probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD'). Expert judgement, which includes the assessment of amounts likely to be recovered from personal guarantees and other sources, is applied to assess the LGD of an agreement.

An instrument is considered to be no longer in default (ie has been cured) when it no longer meets any of the default criteria.

The Group recognises ECLs from default events expected within 12 months of the reporting date if there has not been a SICR since the initial recognition of the financial instrument (Stage 1) and lifetime ECLs for financial instruments where there has been a SICR since initial recognition (Stage 2) or which are credit impaired (Stage 3). Where financial instruments are credit impaired, as determined from the quantitative and qualitative criteria set out above, specific provisions are made on an individual basis in accordance with laid-down policies.

Specific provisions on individual financial instruments are assessed by reference to information available on the recoverability of amounts owed. This may include a change in the credit quality of the debtor and an assessment of expected likely cash flows as well as consideration of the strength of personal guarantees or other security held. The amount of the provision is, as appropriate, disclosed separately in the income statement or recognised within 'administrative expenses.'

Modelling techniques
Current lease and loan portfolio, excluding property bridging loans
To determine which forward-looking information is most relevant to use in calculating ECLs for the Group's current lease and loan portfolio, the Group analysed historical data on its portfolio by individual sectors (finance leases and hire purchase agreements, commercial loans and professional loans) which have been used to identify the key economic variables affecting credit risk and the expected credit losses of each sector. Expert judgement has also been applied and, given that the current portfolio is not highly concentrated in any one sector or geographical area, it has been determined that the forward-looking information which is most relevant is that applying to the UK economy as a whole. Such economic forecasts of GDP growth percentages (the 'base economic scenario'), which are produced by the Bank of England provide the current most likely forecast of the performance of the economy over the next few years.

Under IFRS 9, the Group is required to consider other forward looking scenarios in addition to the base economic scenario. The Group has considered the impact of two other scenarios – one with stronger economic growth than the base case (a best-case scenario) and one with less economic growth (a worst-case scenario). The final ECL has been calculated by applying a weighted probability of the results of each scenario considered, with the weighting made according to management judgement of each scenario's likelihood. The spread between the best and worst case scenarios for GDP percentage growth forecasts is relatively small and the effect of applying different weightings for the best, base and worse case scenarios has little impact on the calculated amount of the expected future loss. Management has adopted a conservative weighting of 5: 60: 35 for the best, base and worse case scenarios at both 1 April 2018 and 31 March 2019 to reflect the uncertainties surrounding Brexit. As any economic forecast is subject to inherent uncertainties, the actual outcomes may be significantly different from the forecasts.

The expected credit losses are determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together which effectively calculates an expected credit loss for each future month, which is then summed. This calculation is undertaken for each economic scenario and the final loss allowance as at that date is calculated by probability weighting the results.

Property bridging loans
The simplified approach has been used when applying IFRS 9 to property bridging loans which are assessed individually for impairment as the portfolio comprises a small number of loans. Each short-term loan is secured over the property for which the loan is advanced and personal guarantees are also obtained from borrowers. The amount made available to a borrower, which is based on an independent valuation of the property, is restricted to a conservative percentage of that valuation. Following an assessment as at 31 March 2019 of the loans existing at that date, it was determined that having regard to the security and the repayment profile no provision for impairment was required.

Intra-group loans and similar balances
Intra-group loans and similar balances have been assessed, using the simplified approach, to determine whether it is necessary to make any provision for lifetime expected credit losses. It was determined that, having regard to the terms of each loan, no provisions were required.

5 Revenue and cost of sales

Revenue	31 March 2019 £'000	31 March 2018 £'000
Milton Homes (a)	4,556	3,590
CAML (b)	2,428	2,138
Property & Funding Solutions (c)	293	–
Acorn to Oaks (d)	224	–
Other – interest receivable	9	54
Total revenue	7,510	5,782
(a) Milton Homes		
Profit on disposal of investment properties	574	235
Gain on revaluation of investment properties	1,744	2,029
Profit on the disposal of equity release plan financial assets	203	182
Gain on revaluation of equity release plan financial assets	538	335
Equity transfer income arising under equity release financial assets plans	1,497	809
	4,556	3,590
(b) CAML		
Loan and lease interest	2,390	1,983
Arrangement fees	67	60
Management fee income	(29)	95
	2,428	2,138
(c) Property & Funding Solutions		
Property bridging loan interest	239	–
Arrangement fees for property bridging loans	54	–
	293	–
(d) Acorn to Oaks		
Commission	134	–
Fees	90	–
	224	–

Cost of sales		
Commissions and introduction fees	9	–
Costs on acquisition of interests in investment properties/ equity release financial assets	5	7
Total cost of sales	14	7

All revenue arises in the United Kingdom.

6 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, loan, lease and professions financing and the financial services intermediary. 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 2019

		Revenue £'000	Operating profit/(loss) £'000	Share of profits of associates £'000	Finance expense £'000	Quasi-equity intra group payments £'000	Profit/(loss) before tax £'000
COLG	Intra-Group	1,142	1,342	–	(114)	–	1,228
	Acquisition and banking licence application	–	(147)	–	–	–	(147)
	Other	–	(1,468)	–	(68)	–	(1,536)
		1,142	(273)	–	(182)	–	(455)
Platforms	Equity release provider	4,556	3,241	–	(3,995)	(1,031)	(1,785)
	Loan, lease and professions financing CAML/PFL	2,428	1,089	–	(818)	–	271
	Property bridging finance	293	122	–	(1)	(111)	10
	Other	9	9	6	(3)	–	12
	Banking licence application	–	(1,591)	–	–	–	(1,591)
	Financial services intermediary	224	55	–	–	–	55
	Other	–	(6)	–	–	–	(6)
	Intra-Group	(1,142)	(1,142)	–	–	1,142	–
		7,510	1,504	6	(4,999)	–	(3,489)

The Profit from operations in the Consolidated income statement of £1,510,000 is the sum of £1,504,000 and £6,000 as shown above.

The quasi-equity intra group payments during the year comprise interest payable to COLG.

Pre-tax profit and loss
For the year ended 31 March 2018

		Revenue £'000	Operating profit/(loss) £'000	Share of profits of associates £'000	Finance expense £'000	Quasi-equity intra group payments £'000	Profit/(loss) before tax £'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 during the year ended 31 March 2018 comprise interest and dividends on preference shares payable to COLG.

6 Segmental reporting continued

Consolidated Net Assets
For the year ended 31 March 2019

		£'000	Total £'000
COLG	Other financial assets		138
Platforms	Equity release provider	17,873	
	Loan, lease and professions financing	6,394	
	Financial services intermediary	1,884	
	Banking licence application project	2,007	
	Other	150	
			28,308
	Other net assets		9,029
Net assets per entity balance sheet			37,475
Other net liabilities of subsidiary companies			(3,301)
Consolidated Net Assets			34,174

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 assets per entity balance sheet			23,870
Other net liabilities of subsidiary companies			(103)
Consolidated Net Assets			23,767

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

7 Administrative expenses

	31 March 2019 £'000	31 March 2018 £'000
Staff		
Payroll (see note 9)	3,351	1,569
Other staff costs	81	30
Establishment costs		
Property costs	572	336
Other	873	833
Auditor's remuneration (see below)	164	177
Legal fees	243	336
Consultancy fees	532	96
Other professional fees	381	593
Depreciation	23	18
Total administrative expenses	6,220	3,988
Expenses relating to:		
Banking licence application project	1,643	406
Acquisition of Acorn to Oaks (2018: Milton Homes)	95	669
Other administrative expenses	4,482	2,913
	6,220	3,988

Directors' emoluments are shown in the Directors' Remuneration report on page 26.

Auditor's remuneration	31 March 2019 £'000	31 March 2018 £'000
Fees payable to the Company's auditor for the audit of the parent company's annual financial statements	44	39
Fees payable to the Company's auditors for other services:		
The audit of subsidiaries pursuant to legislation	95	58
Audit related assurance services	3	3
Tax services	22	77
Total fees	164	177

8 Other income

	31 March 2019 £'000	31 March 2018 £'000
Consultancy	2	15
Sundry income	226	99
	228	114

9 Employee numbers and costs

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

Group	31 March 2019	31 March 2018
COLG	8	4
Loans, lease and professions financing	11	10
Equity release provider (a)	8	8
Financial services intermediary (b)	8	–
Banking licence application project (a)	6	3
Total	41	25

(a) The average number in 2018 was the average for the period from acquisition/start of project to 31 March 2018.

(b) The average number in 2019 is the average for the period from acquisition to 31 March 2019.

The aggregate payroll costs of these employees were as follows:

	31 March 2019 £'000	31 March 2018 £'000
Wages and salaries	2,875	1,373
Social security costs	344	153
Pensions	65	28
Share option scheme	67	15
Total	3,351	1,569

10 Finance expense

	31 March 2019 £'000	31 March 2018 £'000
Loan interest	4,999	3,059
Total finance expense	4,999	3,059

11 Tax expense

	31 March 2019 £'000	31 March 2018 £'000
UK corporation tax		
Current year charge	13	–
Prior year charge	4	–
Deferred tax		
Relating to origination and reversal of temporary differences	60	130
Total tax expense	77	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% (2018: 19%). The differences are explained below.

Tax reconciliation	31 March 2019 £'000	31 March 2018 £'000
Loss before tax	(3,489)	(1,055)
At standard rate of corporation tax in the UK:	(663)	(200)
Effects of		
Items not deductible for tax purposes	367	350
Profit on revaluation of assets offset by brought forward losses	(332)	–
Other tax adjustments	7	(20)
Movement on unrecorded deferred tax asset	694	–
	73	130

12 Dividends

No dividends were paid and recognised during either the current or prior year. The directors do not recommend payment of a final dividend (2018: nil).

13 Earnings per share

Basic and diluted

Basic and diluted earnings per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year less those held in treasury and in the Employee Benefit Trust (see note 26).

	31 March 2019	31 March 2018
Loss attributable to equity holders (£'000)	(3,579)	(1,132)
Weighted average number of ordinary shares in issue ('000)	29,307	15,025
Basic and diluted earnings per share	(12.21)p	(7.53)p

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.

14 Investment properties

At valuation	31 March 2019 £'000	31 March 2018 £'000
At 1 April	44,926	–
On acquisition of Milton Homes on 5 October 2017	–	45,390
Additions	12	24
Disposals	(5,642)	(2,517)
Revaluations	1,744	2,029
At end of period	41,040	44,926
Investment properties	35,397	37,788
Investment properties held for sale	5,643	7,138
	41,040	44,926
Numbers of properties		
At 1 April	302	–
On acquisition of Milton Homes on 5 October 2017	–	317
Additions	–	–
Disposals	(31)	(15)
	271	302

15 Financial assets – equity release plans

At valuation	31 March 2019 £'000	31 March 2018 £'000
At 1 April	30,213	–
On acquisition of Milton Homes on 5 October 2017	–	30,517
Additions	71	10
Equity transfer	1,497	809
On ending of plans	(1,834)	(1,458)
Revaluations	538	335
At end of period	30,485	30,213
Financial assets – equity release plans	28,459	27,741
Financial assets – equity release plans held for sale	2,026	2,472
	30,485	30,213
Numbers of properties		
At 1 April	250	–
On acquisition of Milton Homes on 5 October 2017	–	258
Additions	1	–
Disposals	(12)	(8)
	239	250

16 Intangible assets

Group	Goodwill £'000
Cost	
At 1 April 2017	–
Addition – acquisition of Milton Homes	2,180
At 31 March 2018	2,180
Addition – acquisition of Acorn to Oaks Financial Services	1,378
At 31 March 2019	3,558
Accumulated amortisation and impairment	
At 1 April 2017	–
Addition	–
At 31 March 2018	–
Impairment – Milton Homes	78
At 31 March 2019	78
Carrying amount	
At 31 March 2019	3,480
At 31 March 2018	2,180

The goodwill which arose on the acquisition of Acorn to Oaks Financial Services Limited on 7 January 2019, as set out in note 18(a), 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 2020.

The Company has carried out an assessment as to whether there has been an impairment in the value of the goodwill of £2,180,000 which arose on the acquisition of Milton Homes in October 2017. The assessment has been made based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

As an equity release provider, Milton Homes holds beneficial interests in UK residential properties, which are categorised as either investment properties or financial instruments, depending on the home reversion product. Occupiers continue to live in their home until they die or move to a care facility. Milton Homes has a leveraged exposure to UK House Price Inflation ("HPI") with a spread of realisations over many years. When a property is vacated, Milton Homes sells it and distributes the sale proceeds, including any that may be due to the customer or their estate. Milton Homes, which held interests in 510 properties at 31 March 2019, does not currently take on any new customers but continues to sell its properties as reversions occur, producing cash flow for re-investment by the Group.

Milton Homes has prepared long term cash forecasts for the 15 years up to 31 March 2034 for the sale of its existing portfolio of properties with property reversions based on actuarial life tables and assuming various HPI rates. These two factors, both of which are outwith the influence of Milton Homes, are the key determinants of future cash flows, with cash generated reducing progressively over time under all scenarios as the portfolio becomes smaller and the number of reversions falls.

The base case assumes an increase of 2% for HPI in the year to 31 March 2020 and 4% per annum thereafter. Sensitivity calculations have been done with assumed HPI rates varying from nil to 6% per annum over the fifteen-year period.

The future cash flows have been discounted at 6% (the Company's present cost of capital) to determine the value in use of the net amount invested in Milton Homes. The net present value of the discounted future cash flows at each year end compared with the net assets of Milton Homes at that date gradually falls to zero over a period varying from 7 years where the HPI is 2% per annum to 10 years for the base case. The rate of reduction increases materially in the latter part of each period.

As a result, there will be a gradual impairment in the goodwill associated with Milton Homes as the property portfolio is progressively realised. On the basis that the value in use may reduce to zero over a period of seven years, a provision for impairment of £78,000 (2018: nil) has been made.

17 Property, plant and equipment

	Group		Company	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Cost				
At 1 April	52	352	1	318
Additions – acquisition	11	11	–	–
Additions	69	7	60	1
Disposals	–	(318)	–	(318)
At 31 March	132	52	61	1
Depreciation				
At 1 April	36	336	–	316
Charge for the year	23	18	11	2
Disposals	–	(318)	–	(318)
At 31 March	59	36	11	–
Net book value				
At 31 March	73	16	50	1

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

18 Investments

Group	Interests in associates £'000
At 31 March 2017	224
Share of profits of associates	103
Distribution of profits from associates	(35)
At 31 March 2018	292
Share of profits of associates	6
Transferred in June 2018 (a)	(298)
At 31 March 2019	–

(a) The interests in associates comprised a 50% interest in two joint venture limited partnerships, COLG SME LP and COLG SME Loans LP. On 28 June 2018, Credit Asset Management Limited ("CAML") acquired the 50% interest in both limited partnerships then held by British Business Investments Limited. Following the transfer at their fair values of the loan and finance lease portfolios from the limited partnerships to CAML and its wholly-owned subsidiary, Professions Funding Limited, both limited partnerships ceased business activity and were subsequently dissolved prior to the year-end.

18 Investments continued

Company	Investment in Deep Discount Bonds £'000	Investments in subsidiaries £'000	Total £'000
Cost			
At 31 March 2017	–	5,127	5,127
Additions in year	11,149	12,023	23,172
Disposals in year	–	(2,010)	(2,010)
Increase in value over period (i)	547	–	547
At 31 March 2018	11,696	15,140	26,836
Additions in year	–	2,884	2,884
Disposals in year	–	(637)	(637)
Repayments in year	(3,100)	–	(3,100)
Increase in value over period (i)	1,031	–	1,031
At 31 March 2019	9,627	17,387	27,014
Provision for impairment			
At 31 March 2017	–	2,967	2,967
Addition in year	–	–	–
At 31 March 2018	–	2,967	2,967
Addition in year	–	305	305
Disposal in year	–	(637)	(637)
At 31 March 2019	–	2,635	2,635
Carrying amount			
At 31 March 2019	9,627	14,752	24,379
At 31 March 2018	11,696	12,173	23,869

(i) being interest accrued in the year (2018: accrued from 5 October 2017 to 31 March 2018).

(a) Acorn to Oaks Financial Services Limited ("Acorn to Oaks")

On 7 January 2019, following approval by the FCA, the Company completed the acquisition of all the shares of Acorn to Oaks Financial Services Limited, a financial services intermediary that focuses on SME and property insurance products. Since the acquisition Acorn to Oaks has set up a commercial finance brokerage division that will further expand the range of services offered to the SME market. The services provided by Acorn to Oaks, which complement those already offered by Credit Asset Management Limited and Property & Funding Solutions Ltd, will help to promote the future lending activities of the Group, including those of Recognise after it has obtained a banking licence. Details of the purchase consideration, the net assets acquired and goodwill are set out below.

In addition to its focus on insurance products for the SME and property market, Acorn to Oaks offers regulated mortgage contracts and operates an IFA business through its 51% subsidiary, Acorn to Oaks Associates Limited. Acorn to Oaks has recently engaged an executive with a proven track record to establish and develop the recently formed commercial finance brokerage division.

The acquisition of Acorn to Oaks constituted a related party transaction as Jason Oakley, a minority shareholder in Recognise, his wife, Claire Oakley, and a vehicle controlled by Mr and Mrs Oakley owned 92% of the shares in Acorn to Oaks.

The Company paid an initial consideration of £1,408,000 with further consideration of up to £5,000,000 being payable under the terms of an earn-out agreement included in the acquisition agreement. The amount of the deferred consideration under the earn-out arrangements will be calculated as six times the average annual profits after tax over the three years to 31 March 2022 less the amount of the initial consideration.

The initial consideration was satisfied by way of the issue of £1,292,825 Rollover Loan Notes due 2021 to the majority shareholders of Acorn to Oaks and the issue of 82,068 ordinary shares at their fair value to the minority shareholders (see note 26). The Rollover Loan Notes, which are zero-coupon loan notes can be converted to new shares in the Company in 2021 following completion of the annual accounts, with a conversion price of 140.341p, the 30-day average price to 26 July 2018. The same price was used in respect of the ordinary shares issued to the minority shareholders. The Rollover Loan Notes have been classified as an equity instrument.

The amount payable under the earn out arrangements will be settled by the issue of ordinary shares in the Company at a price based on the market price when the earn-out amount has been determined.

Under the terms of IFRS 3, the Company is required to make an assessment of the deferred consideration as at the date of acquisition and include this as part of the cost of the acquisition. The deferred consideration, which constitutes a financial instrument, is reassessed annually with any change in the amount being recognised in the consolidated income statement. The deferred consideration has been recorded at its amortised cost, which has been calculated using an effective interest rate of 6%.

The acquisition method of accounting has been used for the transaction with Acorn to Oaks, with identifiable assets and liabilities acquired being measured at their fair values at the acquisition date.

The fair values of the assets and liabilities acquired as at 7 January 2019 were based on the unaudited consolidated management accounts of Acorn to Oaks for the period to 31 December 2018. These accounts were prepared using the same bases as in the statutory accounts.

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

	Carrying value at acquisition £'000	**Fair value adjustment £'000**	**Fair value £'000**
Property, plant and equipment	11	–	11
Trade and other receivables	343	–	343
Other debtors	127	–	127
Cash and cash equivalents (a)	262	–	262
Trade and other payables	(237)	–	(237)
Non-controlling interests	–	–	–
Total	506	–	506

(a) includes restricted cash of £76,000 held on behalf of clients,

Fair value of consideration paid

	£'000
Rollover Loan Notes due 2021 at fair value	1,293
Ordinary shares of the Company at fair value	115
Initial consideration	1,408
Assessment of deferred consideration under earn-out provisions	476
Total consideration	1,884
Fair value of assets acquired	(506)
Goodwill	1,378

The Initial consideration was satisfied by way of the issue of ordinary shares of the Company and Rollover Loan Notes due 2021. Both of these are classified as equity instruments.

The deferred consideration has been recorded at its amortised cost, which has been calculated using an effective interest rate of 6%. The amount payable under earn-out provisions has been assessed on the basis of the forecast profits after tax of Acorn to Oaks over the three years to 31 March 2022 and takes account of the benefits expected to arise from its becoming a member of the Group. For its established business activities, the forecasts have been based on current underlying profits while for the newly established commercial finance brokerage division, the forecasts are based on its three-year business plan. The accuracy of the forecasts and the range of possible outcomes are subject to both internal and external factors that may affect the business over the period. A major external factor is the performance of the UK economy over the period and its impact on the SME sector. The major internal factor is the performance of the commercial finance brokerage division over the period.

The estimate of £592,000 for the gross amount of the deferred consideration is based on information that is presently available, with the range of outcomes being assessed on a prudent basis. The deferred consideration payable is currently expected to be within the range of £492,000 to £692,000. It is considered highly unlikely that the maximum of £5,000,000 specified in the earn-out agreement would be achieved.

18 Investments continued

(b) Milton Homes Limited ("Milton Homes")

Based on the impairment review of goodwill for Milton Homes (see note 16), a provision for impairment in the value of the investment in ordinary shares on Milton Homes of £305,000 (2018: nil) has been made to recognise the fact that their value will gradually reduce as the property portfolio is realised. There is no impairment in the value of the Deep Discount Bonds.

(c) Recognise Financial Services Limited ("Recognise")

Further to its obligations under the Shareholders' Agreement, the Company subscribed £1,000,000 in cash during the year for deferred shares in Recognise to enable it to progress its application for a UK banking licence.

The Company has put and call option arrangements over the equity interest held by the three executives leading the banking application licence project. The maximum amount payable by the Company to acquire the equity interest is £5,600,000 (2018: £5,400,000) which will be satisfied by the issue of the Company's ordinary shares. This is accounted for as a share-based payment although it does not have a material value at either 31 March 2019 or 31 March 2018, and as such disclosures on a share-based payment have not been included.

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

No change in the provision for impairment has been made following a reassessment of the carrying value of this investment as at 31 March 2019.

(e) Investments

Details of investments are as follows:

Company subsidiary undertaking	Nature of business
Milton Homes Limited	Holding company
Retirement Plus Limited	Administrator & arranger of equity release plans
Milton Homes Properties Limited	Equity release provider
Retirement Plus Property Plans Limited	Equity release provider
Living Plus Limited	Equity release provider
Living Plus Assets Limited	Holder of home reversion plans
Recognise Financial Services Limited	UK banking licence application
Credit Asset Management Limited	Asset finance and loans
Professions Funding Limited	Professions funding
Property & Funding Solutions Ltd	Bridging & development finance
Acorn to Oaks Financial Services Limited	Financial services intermediary
Acorn to Oaks Associates Limited	Financial services intermediary
City of London SME Leasing Limited	Holding company
City of London Financial Services Limited	General financial

The Company holds 72% of ordinary shares and 100% of deferred shares in issue (2018: 73% and 100% respectively) of Recognise Financial Services Limited. It has been accounted for as a wholly-owned subsidiary as a result of the arrangements in (c) above.

All the other subsidiary undertakings are wholly-owned with the exception of Acorn to Oaks Associates Limited (see below)

All the subsidiary undertakings are held directly by the Company with the following exceptions:

- Professions Funding Limited is a wholly owned subsidiary of Credit Asset Management Limited.
- Retirement Plus Limited, Milton Homes Properties Limited, Retirement Plus Property Plans Limited, Living Plus Limited and Living Plus Assets Limited are wholly-owned subsidiaries of Milton Homes Limited.
- Acorn to Oaks Associates Limited is a 51% subsidiary of Acorn to Oaks Financial Services Limited.

All subsidiaries are registered in England and Wales and have a 31 March year end. The registered office address of each is 6th Floor, 60 Gracechurch Street, London EC3V 0HR, with the exception of Acorn to Oaks Financial Services Limited and its subsidiary, whose registered office address is 93 Church Street, Bilston, West Midlands, WV14 0BJ.

Two subsidiaries, City of London Confirming House Limited and COLG SME (GP) Limited, were dissolved during the year.

19 Other investments

Group and Company	31 March 2019 £'000	31 March 2018 £'000
At 1 April	138	140
Return of seed investment in legal case investments	–	(2)
	138	138
Other investments comprise		
Legal case investments	130	130
Unlisted security	8	8
	138	138

The only investment, other than residual investments, held at both 31 March 2019 and 31 March 2018 was an unlisted security.

20 Loans and leases receivable

	Group		Company	
Non-current	**31 March 2019 £'000**	**31 March 2018 £'000**	**31 March 2019 £'000**	**31 March 2018 £'000**
Loans	3,967	4,131	–	–
Loans to related parties (note 30)	–	375	–	–
	3,967	4,506	–	–
Finance leases	2,294	2,689	–	–
	6,261	7,195	–	–

Non-current loans and finance leases are stated after including provisions of £256,000 for impairment (2018: £283,000).

	Group		Company	
Current	**31 March 2019 £'000**	**31 March 2018 £'000**	**31 March 2019 £'000**	**31 March 2018 £'000**
Loans	10,645	6,291	–	–
Loans to related parties (note 30)	–	–	29	37
	10,645	6,291	29	37
Finance leases	1,807	2,352	–	–
	12,452	8,643	29	37

Current loans and finance leases are stated after including provisions of £955,000 for impairment (2018: £837,000).

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

	31 March 2019		31 March 2018	
	Minimum lease payments £'000	**Present value of minimum lease payments £'000**	**Minimum lease payments £'000**	**Present value of minimum lease payments £'000**
Gross amounts receivable:				
Less than one year	2,374	1,807	3,083	2,352
More than one year, less than five	2,668	2,294	3,177	2,689
	5,042	4,101	6,260	5,041
Less: unearned finance income	(604)	–	(790)	–
	4,438	4,101	5,470	5,041

The Company had no finance lease receivables (2018: nil).

20 Loans and leases receivable continued
The provision for impairment of loans and finance leases comprises the following:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	2019 Total £'000	2018 Total £'000
Loans	142	1	755	898	718
Finance leases	111	2	200	313	402
Provision for impairment	253	3	955	1,211	1,120

The provisions for impairment on loans and finance leases classified as Stage 3, which are assessed individually by management, include provisions made for arrears on these agreements.

The table below shows an analysis of movements in the provision for impairments under IFRS 9, together with the coverage provided by the provisions held.

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31 March 2018	283	–	837	1,120
Impact of adopting IFRS 9	(29)	5	–	(24)
Restated balance at 31 March 2018	254	5	837	1,096
Movement in provision for impairment				
Transfer to Stage 2	(3)	3	–	–
Transfer to Stage 3	(10)	(5)	15	–
Specific provisions	–	–	364	364
New financial assets originated	135	–	–	135
Financial assets that have been derecognised	(123)	–	–	(123)
Write-offs	–	–	(261)	(261)
Total movement in loss allowance	(1)	(2)	118	115
At 31 March 2019	253	3	955	1,211
Coverage provided by the impairment provision	1.29%	1.75%	53.72%[(a)]	5.64%

(a) including amounts in arrears

21 Trade and other receivables

	Group		Company	
Current assets	**31 March 2019 £'000**	**31 March 2018 £'000**	**31 March 2019 £'000**	**31 March 2018 £'000**
Trade receivables	62	61	–	–
Amounts owed by related companies	–	216	–	–
Amounts owed by subsidiaries	–	–	4,088	109
Other debtors	2,125	1,108	13	32
Prepayments and accrued income	287	181	110	50
	2,474	1,566	4,211	191

22 Cash and cash equivalents

	Group		Company	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Cash at bank	15,760	6,685	13,136	1,751

There was £27,000 (2018: £612,000) restricted cash within the Group cash balance of £15,760,000 (2018: £6,685,000) and no restricted cash (2018: nil) within the Company cash balance of £13,136,000 (2018: £1,751,000). The restricted cash within the Group at 31 March 2019 was held by a subsidiary on behalf of clients and that at 31 March 2018 was held by a subsidiary on behalf of managed funds.

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

	Group		Company	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Loans	7,945	9,331	–	–
Trade and other payables				
Trade payables	524	142	216	66
Amounts owed to subsidiaries	–	–	1,355	1,674
Amounts owed to related parties	–	612	–	–
Dividends payable	1	1	1	1
Corporate tax	61	–	–	–
Other taxation and social security	98	99	23	21
Other creditors	225	244	–	–
Accruals and deferred income	1,802	1,480	340	355
	2,711	2,578	1,935	2,117

24 Non-current liabilities

	Group		Company	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Borrowings				
Preference shares of subsidiary	3,000	3,000	–	–
6% Unsecured Convertible Loan Notes 2021	2,050	–	2,050	–
Loans	61,056	62,494	–	–
	66,106	65,494	2,050	–
Other creditors				
Deferred consideration – Acorn to Oaks (see note 18(a))	483	–	483	–

25 Deferred tax assets and liabilities

	Group		Company	
Deferred tax liability	**31 March 2019 £'000**	**31 March 2018 £'000**	**31 March 2019 £'000**	**31 March 2018 £'000**
At 1 April	684	–	–	–
Addition – on acquisition of Milton Homes	–	554	–	–
Tax expense	60	130	–	–
At 31 March	744	684	–	–
The deferred tax liability comprises:				
Gains arising from the revaluation of investment properties	1,416	1,457	–	–
Losses	(672)	(773)	–	–
	744	684	–	–

	Group		Company	
Unrecognised deferred tax assets	**31 March 2019 £'000**	**31 March 2018 £'000**	**31 March 2019 £'000**	**31 March 2018 £'000**
Differences between tax and accounting base of:				
Capital losses	171	171	171	171
Trading losses	5,078	4,768	–	–
Excess management charges	2,965	2,528	1,214	1,017
Timing differences	59	70	2	12
Total	8,273	7,537	1,387	1,200

No deferred tax assets were recognised in the financial statements at 31 March 2019 or 31 March 2018.

Unrecognised deferred tax assets have been calculated on the basis of trading losses and excess management charges carried forward of £47,312,000 (2018: £42,923,000), capital losses of £1,003,000 (2018: £1,003,000) and timing differences of £347,000 (2018: £410,000). There is no time limit for the utilisation of these amounts.

26 Called-up share capital

Allotted, called up and fully paid	31 March 2019 Number	31 March 2018 Number	31 March 2019 £'000	31 March 2018 £'000
Ordinary shares of £0.02	39,407,263	29,205,195	788	585
Deferred shares of £0.001	3,648,415,419	3,648,415,419	3,648	3,648
			4,436	4,233

The Company did not hold any ordinary shares in treasury at 31 March 2019 (2018: nil). 21,349 ordinary shares of £0.02 were held by the Employee Benefit Trust ("EBT") at 31 March 2019 (2018: 21,349). The Company did not transfer any shares into or out of the EBT during the year (2018: nil). The fair value of shares held by the EBT at the balance sheet date amounted to £29,000 (2018: £37,000): these are deducted from equity in accordance with note 2.24.

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.

On 7 January 2019, the Company issued 82,068 ordinary shares at £1.40341 each in part consideration for the acquisition of Acorn to Oaks Financial Services Limited (see note 18(a)).

On 28 March 2019, the company raised £12,650,000 before expenses through the issue of 10,120,000 ordinary shares at £1.25 each for cash.

The cash raised from the issue of the ordinary shares in March 2019, together with a further £500,000 subscribed for ordinary shares in April 2019, and the cash received on the issue of £2,050,000 6% Unsecured Convertible Loan Notes 2021 in March 2019 will be used to support the development of the Group's lending businesses, including the acquisition of a UK banking licence.

Costs of £178,000 (2018: £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 Number	Ordinary of £0.02 Number	Ordinary of £0.10 Number	Deferred £'000	Ordinary £'000
At 31 March 2017	–	–	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
At 31 March 2018	3,648,425,419	29,205,195	–	3,648	585
Issued as part consideration on 7 January 2019	–	82,068	–	–	1
Issued for cash on 28 March 2019	–	10,120,000	–	–	202
At 31 March 2019	3,648,415,419	39,407,263	–	3,648	788

27 Non-controlling interests

	31 March 2019 £'000	31 March 2018 £'000
At 1 April	(50)	–
Shares issued to non-controlling interests	–	3
Non-controlling interests acquired during the year	–	–
Profit attributable to non-controlling interests	13	(53)
Transferred to equity on reduction of non-controlling interests	50	–
At 31 March	13	(50)

On 7 January 2019 the Company acquired all of the issued share capital of Acorn to Oaks Financial Services Limited, which has a 51% subsidiary, Acorn to Oaks Associates Limited. As at the date of acquisition, the amount attributable to the non-controlling interest of that company was less than £1,000. In the period to 31 March 2019, the profits after tax attributable to the non-controlling interest were £13,000, which was the amount attributable to the non-controlling interest at that date.

28 Operating lease commitments

	Group		Company	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Minimum lease payments under operating leases recognised in expense for the year	185	150	67	30

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

	Group		Company	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Less than one year	81	52	55	–
Between one and five years	4	–	–	–
Greater than five years	–	–	–	–
	85	52	55	–

29 Commitments

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

As at 31 March 2019, the Company was committed to provide funding of up to £500,000 (2018: £1,500,000) to progress the UK banking licence application that is being submitted by Recognise Financial Services Limited under the terms of the Shareholders' Agreement.

The Company has put and call option arrangements over the equity interest in Recognise Financial Services Limited held by the executives. The maximum amount payable by the Company to acquire the equity interest is £5,600,000: the consideration will be satisfied by the issue of the Company's ordinary shares. Neither the put or call option was deemed to have a material value as at 31 March 2019.

On 7 January 2019, the Company completed its acquisition of all the shares of Acorn to Oaks Financial Services Limited ("Acorn to Oaks"), a financial services intermediary business focusing on SME and property insurance products, for an initial consideration of £1,408,000 (see note 18(a)). Further earn-out consideration, based on a six-times multiple of the average annual profit after tax for the three year period up to 31 March 2022, may be payable which could increase the consideration by a maximum of £5,000,000. The Company currently estimates that deferred consideration of £592,000 will be payable: the amortised cost of £476,000, calculated using an effective interest rate of 6%, has been included as part of the cost of acquisition.

30 Related party transactions

The related parties of the Company are its subsidiaries and, as at 31 March 2018, the associates of the Group, together with the directors of the Company.

Directors' emoluments are disclosed in the Directors' Remuneration report. The aggregate emoluments of the directors for the year were £461,732 (2018: £322,140) of which £360,000 (2018: £208,946) was borne by the Company and £101,732 (2018: £113,195) by a subsidiary. In addition, aggregate social security costs for the year were £53,111 (2018: £39,527) of which £39,597 (2018: £23,999) was borne by the Company and £13,514 (2018: £15,528) 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.

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.

Both these shareholders supported the Company's recent capital raising exercise with DV4 Limited subscribing £5million for 4,000,000 ordinary shares and Max Barney Investments Limited and other members of its concert party also subscribing £5million for 4,000,000 ordinary shares.

P G Milner is a director of Max Barney Investments Limited as was M Goldstein until 25 March 2019.

During the year, the Company acquired Acorn to Oaks Financial Services Limited, whose shareholders included J Oakley, a minority shareholder of Recognise (see note 18(a)).

The Company recharges the costs of shared premises to its subsidiaries, Credit Asset Management Limited and Recognise Financial Services Limited.

During the year ended 31 March 2018, the transactions of Group companies with related parties included the following with its then associates:

	Interest charge 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	–

The non-group interests in these joint venture limited partnerships were purchased by Credit Asset Management Limited in June 2018. The limited partnerships were subsequently dissolved (see note 18).

31 Share-based payments

Under the Share Option Plan 2017, share options may be granted to employees, including executive directors, of the Company and its subsidiaries. The exercise price of these fixed price options is equal to the market price of the shares at the date of grant. These options are conditional on the employee completing three years' service (the vesting period). The options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The number of share options granted under the Share Option Plan 2017 that were outstanding at 31 March 2019 are as follows:

Date of grant	At 31/03/18	Granted in year	At 31/03/19	Exercisable from	Exercisable to	Exercise price
05/10/2017	1,000,000	–	1,000,000	05/10/2020	05/10/2027	90.00p
31/07/2018	–	1,041,379	1,041,379	31/07/2021	31/07/2028	145.00p
	1,000,000	1,041,379	2,041,379			

The weighted average exercise price of the share options in issue is:

	31 March 2019 Weighted average exercise price	31 March 2019 Number	31 March 2018 Weighted average exercise price	31 March 2018 Number
Outstanding at 1 April	90.00p	1,000,000		–
Granted during year	145.00p	1,041,379	90.00p	1,000,000
Outstanding at 31 March	118.06p	2,041,379	90.00p	1,000,000

None of the share options were exercisable at 31 March 2019.

City of London Group plc's share price as at 31 March 2019 was 137.5p (2018: 172.5p). The average for the year to 31 March 2019 was 141.1p (2018: 106.1p).

The fixed price options were valued using the Black-Scholes model. Inputs to the model were as follows:

	July 2018 Grant	October 2017 Grant
Strike price	145.00p	90.00p
Share price	145.00p	90.00p
Contractual life (in days)	1,095	1,095
Volatility	13.30%	13.30%
Annual risk-free interest rate	1.04%	0.95%

The FTSE All-Share 3 year volatility index has been used for the volatility, which is a measure of the standard deviation of expected share price returns. The valuation assumes that all the options will be exercised.

The Company would use the shares in the Employee Benefit Trust to cover part of the share option awards.

The put and call option arrangements which the Company has over the equity interest held by three executives of Recognise Financial Services Limited are accounted for as a share-based payment (see note 18(c)).

32 Changes in liabilities arising from financing activities

Group	Non-current borrowings £'000	Current borrowings £'000	Total £'000
At 31 March 2017	10,371	5,160	15,531
Cash flows	9,834	(11,591)	(1,757)
Non-cash flows			
Amounts recognised on acquisition of Milton Homes	58,963	60	59,023
Non-current borrowings becoming current borrowings	(15,702)	15,702	–
Interest accrued in period	2,028	–	2,028
At 31 March 2018	65,494	9,331	74,825
Cash flows	17,298	(22,060)	(4,762)
Non-cash flows			
Non-current borrowings becoming current borrowings	(20,674)	20,674	–
Interest accrued in period	3,988	–	3,988
At 31 March 2019	66,106	7,945	74,051

Company	Non-current borrowings £'000	Current borrowings £'000	Total £'000
At 31 March 2017	1,028	1,555	2,583
Cash flows	(1,028)	–	(1,028)
At 31 March 2018	–	1,555	1,555
Cash flows	2,050	–	2,050
Non-cash flow			
Amount owed to subsidiary satisfied by receipt of dividend	–	(269)	(269)
At 31 March 2019	2,050	1,286	3,336

33 Financial instruments

The Company's and the Group's financial instruments comprise financial assets – equity release plans, other investments, trade debtors and other receivables, cash and cash equivalents and trade and other payables. In addition, the Company holds Deep Discount Bonds issued by its wholly-owned subsidiary, Milton Homes Limited. The following tables analyse the Group and Company's financial assets and financial liabilities in accordance with the categories of financial instruments in IFRS 9. Assets and liabilities outside the scope of IFRS 9 are not included in the table below.

	Group		Company	
	31 March 2019 £'000	**31 March 2018 £'000**	**31 March 2019 £'000**	**31 March 2018 £'000**
Financial assets				
Measured at fair value through profit and loss				
Financial assets – equity release plans	30,485	30,213	–	–
Deep discount bonds	–	–	9,627	11,696
Other investments – unlisted security	8	8	8	8
Measured at amortised cost				
Loans	14,612	10,797	29	37
Finance leases	4,101	5,041	–	–
Trade receivables	62	61	–	–
Amounts owed by related companies	–	216	–	–
Amounts owed by subsidiaries	–	–	4,088	109
Other debtors	2,125	1,108	13	32
Cash and cash equivalents	15,760	6,685	13,136	1,751
Measured at fair value through other comprehensive income				
Legal case investments	130	130	130	130
	67,283	54,259	27,031	13,763
Financial liabilities				
Measured at amortised cost				
6% Unsecured Convertible Loan Notes 2021	2,050	–	2,050	–
Other interest-bearing loans	72,001	74,825	–	–
Deferred consideration	483	–	483	–
Trade payables	524	142	216	66
Amounts owed to related parties	–	612	–	–
Amounts owed to subsidiaries	–	–	1,355	1,674
Dividends payable	1	1	1	1
Other creditors	225	244	–	–
Accruals and deferred income	1,802	1,480	340	355
	77,086	77,304	4,445	2,096

At 31 March 2019 and 31 March 2018, the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances and other balances with related parties which are short term or repayable on demand are equivalent to their carrying amount.

The fair value of the Financial assets – equity release plans is based on the estimated equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of these interests as set out in note 3. The fair value of other non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Group's non-current advances to related parties fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current fixed interest rate advances at the end of the reporting periods is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable but other significant inputs are not observable and accordingly these fair value estimates have been categorised as Level 3 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'.

The fair value of the 6% Unsecured Convertible Loan Notes 2021 issued in March 2019 approximates to their issue price of £2,050,000 as the appropriate interest rate to apply in discounting future contractual cash flows would be close to 6%.

34 Financial risk management

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

(i) Credit risk

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

	31 March 2019 £'000	**31 March 2018 £'000**
Loans	14,612	10,422
Loans to related parties	–	375
Leases	4,101	5,041
Trade and other receivables	2,474	1,566
Cash and cash equivalents	15,760	6,685
Total	36,947	24,089
being:		
Gross amounts	38,158	25,209
Provision for impairment	(1,211)	(1,120)
Total	36,947	24,089

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

Loans and leases are made predominantly to commercial SME clients and to professional firms. Property bridging loans are secured over the property for which the loan is advanced and personal guarantees are also obtained. Other loans are unsecured but benefit from personal guarantees as management considers necessary.

The Group establishes an allowance for impairment on the basis set out in note 4. The credit risk for both loans and leases is reduced due to their being widely spread.

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

	31 March 2019 £'000	**31 March 2018 £'000**
Loans	1,359	1,362
Leases	460	498
	1,819	1,860
Provisions made in respect of above	955	837

Receivables wholly or partly in arrears include arrears of £1,432,000 (2018: £987,000), of which £1,128,000 (2018: £789,000) was more than 90 days in arrears.

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

(ii) Foreign exchange risk

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

(iii) Liquidity risk

The Company has sufficient cash to meet its current requirements. At 31 March 2019 and 31 March 2018, the Company did not have a bank overdraft facility.

34 Financial risk management continued

The total gross contractual undiscounted cash flows of financial liabilities, including interest payments, excluding those arising under the loan facility provided by Partnership Life Assurance Company Limited to Milton Homes Properties Limited, are:

Year ended 31 March 2019	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	2,345	6,349	9,932	–	18,626
Trade and other payables	–	2,711	–	–	–	2,711
	–	5,056	6,349	9,932	–	21,337
Company						
Interest-bearing borrowings	–	1,391	92	2,296	–	3,779
Trade and other payables	–	580	–	–	–	580
	–	1,971	92	2,296	–	4,359

Year ended 31 March 2018	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	1,911	5,621	7,189	15	14,736
Trade and other payables	–	2,578	–	–	–	2,578
	–	4,489	5,621	7,189	15	17,314
Company						
Interest-bearing borrowings	–	1,674	–	–	–	1,674
Trade and other payables	–	443	–	–	–	443
	–	2,117	–	–	–	2,117

Partnership Life Assurance Company Limited has provided a £62,633,796 facility to Milton Homes Properties Limited, which bears interest at 7.15% per annum and is secured on the Group's rights to beneficial interests in residential properties acquired through equity release plans. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of. The amount owed on this loan as at 31 March 2019 was £57,111,000 (2018: £58,466,000).

The repayment dates of financial liabilities are as follows:

Year ended 31 March 2019	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	2,116	5,829	8,995	57,111	74,051
Trade and other payables	–	2,711	–	–	–	2,711
	–	4,827	5,829	8,995	57,111	76,762
Company						
Interest-bearing borrowings	–	1,355	–	2,050	–	3,405
Trade and other payables	–	580	–	–	–	580
	–	1,935	–	2,050	–	3,985

Year ended 31 March 2018	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	1,739	5,286	7,015	58,480	72,520
Trade and other payables	–	2,578	–	–	–	2,578
	–	4,317	5,286	7,015	58,480	75,098
Company						
Interest-bearing borrowings	–	1,674	–	–	–	1,674
Trade and other payables	–	443	–	–	–	443
	–	2,117	–	–	–	2,117

(iv) Interest rate risk
The Company has interest-bearing assets and liabilities at fixed interest rates. The Group and Company had no floating rate borrowings at either 31 March 2019 or 31 March 2018. Accordingly, the results before tax of the Group and Company would be unaffected by any change in the Bank of England rate in either year.

(v) Price risk
The Group is subject to price risk on 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 but 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 2019:

Level 3 valuation	Total £'000
Investment properties	41,040
Financial assets – equity release plans	30,485
Other investments	138
	71,663

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

No Level 1 or Level 2 assets were held at either 31 March 2019 or 31 March 2018.

34 Financial risk management continued

There were no transfers of assets between categories during the year (2018: 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 2019 £'000	31 March 2018 £'000
Balance at 1 April	75,277	140
Additions – on acquisition of Milton Homes on 5 October 2017	–	75,907
Additions	83	34
Equity transfer	1,497	809
Revaluations	2,282	2,364
Disposals	(7,476)	(3,977)
Balance at 31 March	71,663	75,277

(vi) Capital Management

The primary objective of the Company's capital management is to ensure that it has sufficient funding capacity for itself and to support the development of its existing businesses as well as progress the application for a UK banking licence and, should the application be successful, establish a business that will meet the needs of the SME UK business market. The Board assesses the Group's future capital and liquidity requirements regularly and, within its overall group strategy, is developing plans to access new funding as required. The Company seeks to optimise the mix of debt and equity funding sources to maintain the balance of a robust financial structure whilst creating shareholder value through an appropriate debt equity mix of the Company and the subsidiaries. The Company's capital is deemed to be its equity.

Debt equity ratio of the Company is shown below:

	31 March 2019 £'000	31 March 2018 £'000
Third-party borrowings	2,050	–
Loans from subsidiaries	1,286	1,555
Debt	3,336	1,555
Equity	37,475	23,870
Gearing	8.9%	6.5%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

By order of the Board

Colin Wagman
Chairman
14 July 2019

INDEPENDENT AUDITOR'S REPORT

to the members of City of London Group plc

Opinion

We have audited the financial statements of City of London Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated balance sheet, the company balance sheet, the consolidated statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report and accounts that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation as set out in the annual report and accounts that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement as set out in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the Directors' explanation as set out in the annual report and accounts as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Revenue recognition (note 2.20 & 5) The group's revenues are derived primarily from the group's core operating segments, namely lease and professions financing and equity release. Interest on the loans and leases portfolio is recognised on an accruals basis using the effective interest rate method. This income is based on the automatic calculations within the group's loans and leases system. There is a risk that income could be incomplete or inaccurate if the loans and leases system has not captured or calculated the revenue correctly. Revenue from the equity release business primarily relates to gains on disposals and revaluations of the underlying properties. There is a risk that the investment properties and equity release plans are incorrectly valued as there is judgement associated with the assumptions used in the revaluation of the Group's share of interest in the properties.	Our audit testing included but was not restricted to: Lease and professions financing: • With the aid of computer assisted audit techniques we recalculated the total interest income on the loan and leases. This included verification of the internal rate of return (IRR) used in the effective interest rate accounting through recalculation. • We tested the accuracy and existence of data processed through the system using sampling techniques, agreeing sampled data to underlying source documentation. **Equity release products** Our audit work on revenue was linked to the work undertaken in the valuation of interests in property portfolio risk below. Gains on revaluation of investment properties and equity release assets, equity rate transfer and profit on disposal are included within group revenue and are derived from the year-end valuation and movements in the underlying portfolio in the year, which we have performed work on as outlined below. In respect of the disposals of investment property, these were verified by agreeing to supporting documentation such as completion statements, signed sale agreements and to bank statements. Based on the procedures performed we are satisfied that revenue recognition is appropriate.
Valuation of interests in property portfolio (note 2.8, 2.9, 14 & 15) Investment property and equity release plans are the largest balances on the Group's balance sheet. The valuation of the interest in the properties within the portfolio inherently involves a large degree of judgement and estimation. Significant judgements are made by management and by third party experts (one of the key assumptions being the length of time the inhabitant will remain in their home until ownership passes to Milton Homes) thus resulting in the increased risk that the interest in the property portfolio may be materially misstated.	Our audit testing included but was not restricted to: • We engaged with internal experts and third party experts to assist in the assessment of the methodology applied by management's expert and the assumptions used by management in the valuation process. We challenged management's expert directly on the assumptions used within the valuations, including house price inflation, discount rate and life expectancy figures, obtaining explanation, justification and corroborative data where relevant. • We tested the integrity of data within the valuation workings, agreeing a sample of items to underlying source documentation to ensure accuracy, in addition to performing an assessment on the consistency of formulae. For a sample of disposals made in the year we obtained the property valuation report from the valuation conducted prior to the property sale.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Loan loss provisioning (note 2.9, 4 & 34) Commensurate with the activities of the Loan and Leases business, the Expected Credit Loss (ECL) provision is a material balance subject to management judgement and estimation, calculated through new methodology due to the implementation of IFRS 9. Key judgements and estimates in respect of the timing and measurement of expected credit losses (ECL) include: • Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard; • Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; • Completeness and accuracy of data used to calculate the ECL; • Inputs and assumptions used to estimate the impact of multiple economic scenarios; and • Accuracy and adequacy of the financial statement disclosures.	Our audit testing included but was not restricted to: • We performed an assessment of management's interpretation of requirements of IFRS 9 including their definition of key model inputs such as 'default' and 'significant increase in credit risk'. • Challenged, sensitised and corroborated inputs to the expected credit loss model, including assessment of inputs and data being used to generate probability of default and loss given default figures. • Recalculated key functions of the expected credit loss model and performed data integrity assessments, including sampling inputs back to underlying supporting documentation. • Performed assessment of disclosures included in draft financial statements. Based on the work performed we consider the expected credit loss provisioning to be reasonable.

Our application of materiality

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

Work performed on subsidiaries was performed at a materiality level calculated by reference to a proportion of group materiality appropriate to the relative scale of the business concerned. Component materiality ranged from £6,050 to £1,124,000 (31 Mar 18: £1,000 to £1,013,000).

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (1% of total Group assets)	Assessing whether the financial statements as a whole present a true and fair view.	• A principal consideration for members of the company in assessing the financial performance of the group given the group is an investment group.	£1,124,000 (31 Mar 18: £1,013,000)
Specific materiality – all income statement based transactions excluding fair value movements of investments (5% loss before tax averaged across last three years)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• Level of losses	£95,000 (31 Mar 18: £53,000)

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Performance materiality (75% of financial statement materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • History of prior errors	£843,000 (31 Mar 18: £760,000) Specific: £72,000 (31 Mar 18: £39,750)
Parent company materiality (5% of parent company profit before tax averaged over last three years)	Assessing whether the financial statements of the parent company as a whole present a true and fair view.	• A principal consideration for members of the company in assessing the financial performance of the company given the activities of the company in the year.	£37,000 (31 Mar 18: £52,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £22,480 and £1,900 for Group and Company respectively, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Group's activities, the key functions and the overall control environment. Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement.

The group operates though a number of operating subsidiaries, all of which are based in the UK. Full scope audits were undertaken by the group audit team on the financial information of the parent company and all components.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 23** – the statement given by the Directors that they consider the annual report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting set out on page 21** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 20** – the parts of the Directors' statement relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with the Listing Rules do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 79, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

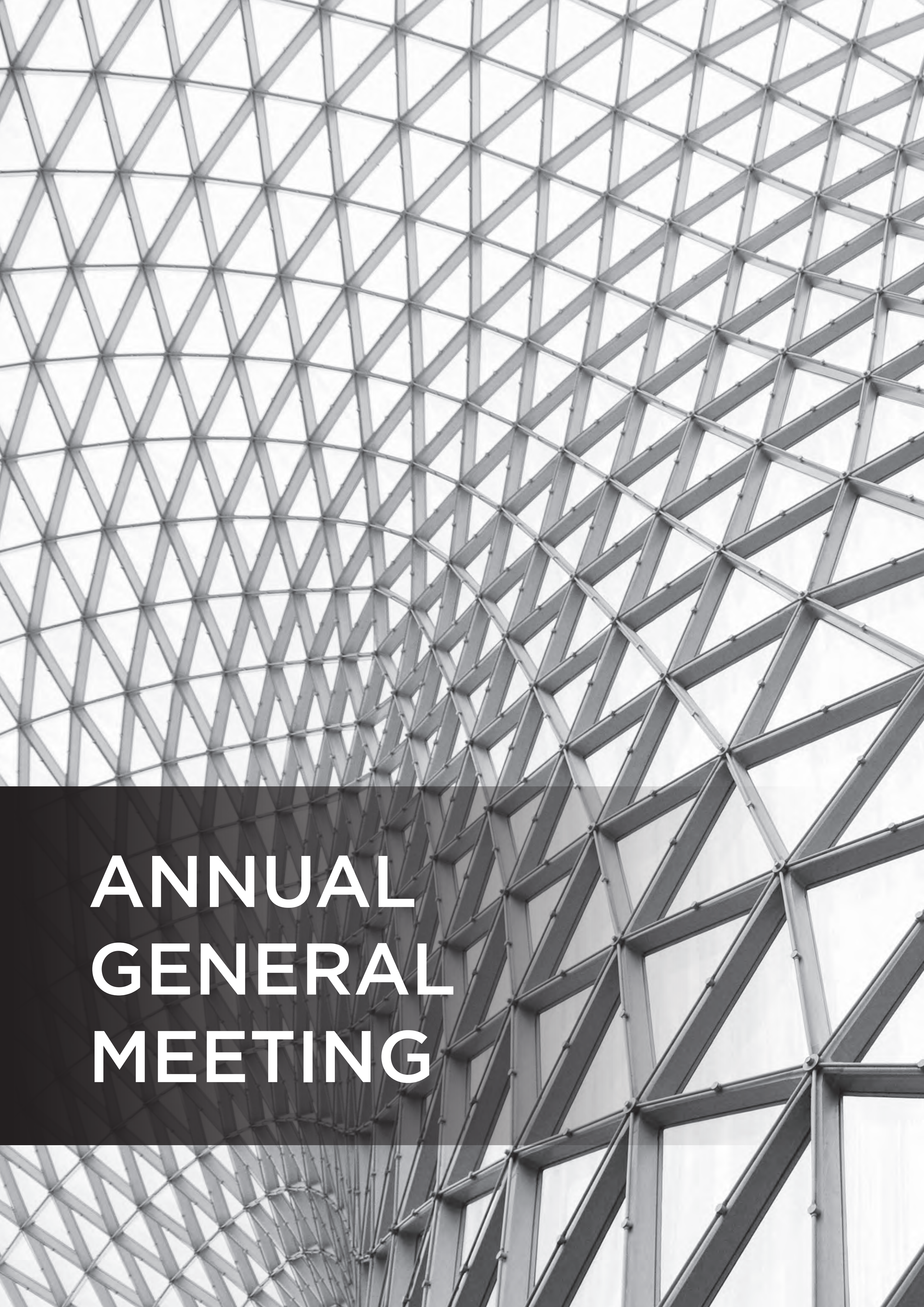
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Taylor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
14 July 2019

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



ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

City of London Group plc

NOTICE IS GIVEN that the Annual General Meeting of the Company will be held at 12.30 pm on 5 September 2019 at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR to consider the following resolutions of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

1. To receive the annual report and accounts for the year ended 31 March 2019.

2. To re-elect Colin Wagman as a director of the Company.

3. To re-elect Michael Goldstein as a director of the Company.

4. To re-elect Andrew Crossley as a director of the Company.

5. To re-elect Paul Milner as a director of the Company.

6. To re-elect Lorraine Young as a director of the Company.

7. To reappoint BDO LLP ("BDO") as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the directors to determine their remuneration.

8. That, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company. This authority will, if granted, expire, unless previously revoked, renewed or varied, at the conclusion of next year's AGM, or, if earlier, on 30 September 2020, although offers or agreements can be made before the expiry of that period, which might require shares to be allotted or rights granted after the expiry of that period. This authority, if approved, will be limited to a maximum nominal amount of £796,145.26, representing a maximum of 39,807,263 ordinary shares of 2 pence each, equivalent to 100 per cent of the issued capital of the Company as at 14 July 2019. As stated in the Chairman's statement, the directors believe that they should have the authority proposed in the resolution to enable such allotments to take place to allow the Company to raise sufficient new equity to finance the business opportunities if a banking licence is obtained.

Special Resolutions

9. That, subject to the passing of resolution 8 above, the directors be empowered under section 570 of the Act to allot equity securities, as defined in section 560 of the Act, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment or allotments of equity securities up to a nominal amount or (in the case of any other equity securities) giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £796,145.26 and this power shall expire, unless previously revoked, renewed or varied, at the conclusion of the next Annual General Meeting of the Company or on 30 September 2020, whichever is earlier, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot securities under such offer or agreement as if this power had not expired.

10. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange subject to the following conditions:

    (i) the maximum number of ordinary shares authorised to be purchased shall be 3,980,726;

    (ii) the minimum price which may be paid for a share shall be the nominal value of such share and the maximum price which may be paid shall be not more than 5 per cent above the average of the middle market quotations for ordinary shares of the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding that on which such market purchases are made (in each case exclusive of expenses);

    (iii) unless previously revoked, renewed or varied, the authority conferred by this resolution shall terminate on the conclusion of the next Annual General Meeting of the Company or 30 September 2020, whichever is the earlier, and

    (iv) the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of such authority which may be or will be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares under such contract notwithstanding such expiry.

By order of the Board

Ben Harber
Company Secretary
9 August 2019

Registered office
60 Gracechurch Street
London EC3V 0HR

Notes:

1. An explanation of the proposed resolutions can be found in the Directors' report on pages 29 and 30.
2. If you are a member entitled to attend and vote at the meeting, you may appoint one or more proxies to attend and vote on your behalf. A proxy need not be a member of the Company. A form of proxy is enclosed. If you appoint a proxy it will not prevent you from attending the meeting and voting in person.
3. You must send the form of proxy and any power of attorney or other authority under which it is signed, (or a notarially certified copy of such power or authority), to the Company's registrars: Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so that it is received by them not less than 48 hours (excluding non-working days) before the time of the meeting.
4. If your shares are held in joint names, the signature of only one of the joint holders is required. However, if more than one of the joint holders votes, the vote of the first named on the register of members will be accepted to the exclusion of other joint holders.
5. Any corporation which is a member may appoint one or more corporate representatives to exercise all of its powers as a member, on its behalf, provided that not more than one corporate representative may exercise powers over the same shares.
6. You may appoint more than one proxy, provided that each proxy is appointed to exercise rights in relation to different shares. If you wish to appoint more than one proxy, please call Link Asset Services Helpline on 0871 664 0300 or photocopy the proxy form. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please ensure that all proxy forms for one registered holding are sent in the same envelope if possible.
7. If you appoint more than one proxy, you must state the number of shares over which each proxy is entitled to exercise rights. As long as the total number of shares covered by all of the forms of proxy is not more than your total holding, it will be assumed that the proxies are appointed in relation to different shares, rather than that you have made conflicting appointments over the same shares. If two or more forms of proxy are received in relation to the same share(s) and the same meeting, the form of proxy which is received last will be treated as replacing and revoking any other forms received.
8. If you have been sent a copy of this notice because you have been nominated to have information rights under the Act by a nominee shareholder who holds shares on your behalf (and therefore your shares are not held in your own name) then you do not have the right to appoint a proxy using a form of proxy issued by the Company. However, you may have a right under an agreement with the registered shareholder to appoint someone else or to be appointed yourself as a proxy for this meeting. If you do not have this right, or if you do not wish to exercise it, you may have a right under such agreement to give instructions to the shareholder as to how they should vote in respect of the shares they hold on your behalf. You should contact the registered shareholder to find out more about any such arrangements.
9. Under Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), you must be on the register of members by the close of business two days before the AGM in order to have the right to attend or vote at the meeting. The number of shares you hold at that time is the number over which you may exercise voting rights at the meeting. Changes to entries on the register of members after that time will be disregarded in determining your right to attend or to vote (and the number of votes you may cast) at the AGM or any adjournment of that meeting.

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) of it by using the procedures described in the CREST Manual. If you are a CREST personal member or other CREST sponsored member, and/or a CREST member who has appointed a voting service provider(s), you should refer to your CREST sponsor or voting service provider(s), who will be able to take appropriate action on your behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specification and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy.
10. Instructions. It is the responsibility of the CREST member concerned to take or, if you are a CREST personal member or sponsored member or you have appointed a voting service provider(s), to ensure that your sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.
12. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate for any purposes other than those expressly stated.
13. As at 8 August 2019 (being the latest practicable date before the publication of this document) the Company's issued share capital consisted of 39,807,263 ordinary shares of 2 pence each, carrying one vote each. There are no shares currently held in treasury. Therefore, the total number of voting rights in the Company at that date was 39,807,263.

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FORM OF PROXY

City of London Group plc

Name(s): ....

Address: ....

....

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

....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 12.30 pm on 5 September 2019 and at any adjournment of that meeting. I request my proxy to vote as indicated below:

Ordinary Resolutions		**For**	**Against**	**Withheld**
1	To receive the annual report and accounts for the year ended 31 March 2019.			
2	To re-elect Colin Wagman as a director of the Company.			
3	To re-elect Michael Goldstein as a director of the Company.			
4	To re-elect Andrew Crossley as a director of the Company.			
5	To re-elect Paul Milner as a director of the Company.			
6	To re-elect Lorraine Young as a director of the Company.			
7	To reappoint the auditors and to authorise the directors to set their fees.			
8	To authorise the allotment of shares.			
Special Resolutions				
9	To disapply pre-emption rights.			
10	To authorise share buybacks.			

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

Name.. No of Shares held..

Notes for completion of proxy form

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

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

   This form of proxy must be completed and deposited, together with the power of attorney or other authority, if any, under which it is signed or a copy of such power or authority certified notarially, with the registrars of the Company, at least 48 hours (excluding non-working days) before the time of the meeting or adjourned meeting.
4. The address of the registrars is Link Asset Services, PXS 34 Beckenham Road, Beckenham, Kent BR3 4TU.
5. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. Only those shareholders on the register of members of the Company at close of business on 3 September 2019 will be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the register of members after this will be disregarded in determining the rights of any person to attend or vote at the meeting.
7. More than one proxy may be appointed in respect of shares comprised in the same holding. If more than one proxy is appointed a separate form of proxy should be completed for each person appointed and each form of proxy should show the number of shares to which it relates.
8. Any alteration made to this form of proxy should be initialled by the person(s) signing it.
9. In the case of joint holders, the vote of the senior (according to the order in which the names stand in the register in respect of the holding) who tenders a vote in person or by proxy will be accepted to the exclusion of the votes of the other joint holder(s).
10. Completion and return of this form of proxy will not prevent a shareholder from attending and voting in person at the meeting.

INVESTOR INFORMATION AND ADVISERS

Financial calendar
We will hold our 2019 annual general meeting at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR at 12.30 pm on 5 September 2019.

Half-year results (available online only)	December 2019

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

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

Registered office and general enquiries
6th Floor
60 Gracechurch Street
London
EC3V 0HR
Tel: 020 7550 0543
Company number: 01539241
Email: office@cityoflondongroup.com
Website: www.cityoflondongroup.com

Company Secretary
Ben Harber
6th Floor
60 Gracechurch Street
London
EC3V 0HR

Auditors
BDO LLP
55 Baker Street
London W1U 7EU

Nominated adviser and broker
Peel Hunt
Moor House
120 London Wall
London EC2Y 5ET

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

Registrar and transfer office
For shareholder administration enquiries, including changes of address, please contact:

Link Asset Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Perivan 255350

City of London Group