10 September 2021

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

Preliminary announcement of final results

The Company announces its audited final results for the year ended 31 March 2021.

Highlights

Business developments

- Successful cash raise exercise in October 2020 raised £27.0m before expenses. The funds were invested in Recognise Bank to facilitate its development and provide a capital base for its lending activities.

- Following the fund raise, Recognise Bank received authorisation with restriction (AwR) as a bank from the PRA on 10 November 2020 and began trading, offering four lending products. The business changed its name to Recognise Bank Limited from Recognise Financial Services Limited.

- Recognise Bank has now met the technical regulatory mobilisation conditions set by the PRA, following completion of the build out and testing of its banking infrastructure. It is expected it will be granted a full UK banking licence after the laid-down capital adequacy requirements are met.

- Capital raise announced on 23 August 2021, to raise a minimum of £11.4m conditional on shareholder approval, which was obtained on 8 September 2021. Two of the Company's major shareholders are supporting the next stage of the Group's development by investing a further £11.4m. This will be invested in Recognise Bank to meet the capital adequacy requirements referred to above. An open offer will be made to other existing shareholders.

- Sale of Acorn to Oaks for £1.1m was completed on 1 April 2021 while the sale of Milton Homes for £9.3m in total was agreed, subject to regulatory approval, on 3 September 2021. The net proceeds from the sale of Milton Homes will be invested in Recognise Bank.

- Recognise Bank has been working to implement its business strategy and develop its business so that it will be well placed to grow its lending activities once it receives a full banking licence and restrictions on deposit-taking are lifted, which is expected during the third quarter of 2021. It is also planning to introduce business savings products towards the end of 2021.

Financial results

- Loss before tax £12.6m after absorbing costs of £7.9m associated with UK banking licence application and £2.5m from discontinued activities (2020: loss before tax £9.7m after absorbing costs of £3.4m associated with applying for UK banking licence).
- Consolidated NAV per share attributable to shareholders 49p (2020: 60p).

Michael Goldstein, CEO, commented:

“The Group has made considerable progress in implementing its long-term strategy over the last 18 months. The process of re-focusing the Group’s business on banking activities is largely complete with Recognise Bank poised to become a deposit taking bank.

“The support offered by two of the Company’s major shareholders through the recently- announced capital raise is a sign of continuing confidence from our shareholder base in our strategy, and the opportunity that exists within the SME banking space.

“Recognise Bank has made great strides in developing its business since achieving its initial goal of receiving AwR in November 2020. The capital raise will enable Recognise Bank to exit mobilisation, having met all the requirements of the PRA. As a deposit-taking bank, Recognise Bank will be well placed going forward to deliver its business plan and meet the needs of its target customers in the UK SME market, and offer a relationship led banking service which is currently not available to SMEs.”

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This RNS has been approved on behalf of the board by Michael Goldstein, CEO on 9 September 2021.

Notes to Editors:

City of London Group plc is quoted on AIM (TIDM: CIN) and is the parent company of a group which is focused on serving the UK SME market. While grounded in traditional values, it is primed for future growth through the strength and depth of expertise in its expanding team.

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Chair's statement

It is a pleasure to be able to tell you in my first report as your Chair about the substantial progress we have made over the last year in implementing the Group's growth strategy.

The Group has largely completed the process of simplifying and re-focusing its business activities. With Recognise Bank expected to achieve its full deposit taking authorisation in the very near future, the Group is well placed to take advantage of the opportunities that we see for it as a relationship-led bank focused on serving the UK SME sector, as the UK economy moves forward from COVID-19.

Business model and strategy
The Group's business model and strategy has continued to evolve as Recognise Bank maintained its progress towards being granted a full UK banking licence. After Recognise Bank achieved its initial goal of receiving authorisation with restriction, as a bank in November from the PRA, the Board decided the Group should in future concentrate on the development of its banking business and divest itself of its other two businesses, Milton Homes and Acorn to Oaks. The sale of both businesses has been achieved since the year end and the proceeds will be redeployed in Recognise Bank.

A second major step in implementing the Group's strategy was reached in June when the PRA confirmed formally to Recognise Bank it had met all the technical regulatory conditions for mobilisation set by the PRA and would achieve a full UK banking licence once the capital adequacy conditions were met. It is a major achievement for the team at Recognise Bank to have completed the build out and testing of the banking infrastructure to the satisfaction of the Regulator within a seven-month period.

We will meet the capital adequacy conditions set by the Regulator after the forthcoming capital raise which was announced on 23 August 2021. The continuing support being offered by two of the Company's major shareholders who have agreed to subscribe £11.4m is a sign of confidence in the Group's strategy.

Recognise Bank is poised to move forward with delivering its business plan as soon as it exits mobilisation and restrictions on taking deposits are lifted which we expect in the very near future.

We believe the strategy for Recognise Bank remains robust and is now even more relevant as a result of the impact of COVID-19 on the UK economy. As the UK's SME businesses seek to recover and grow following lockdown restrictions, the opportunities for Recognise Bank, as a new entrant focusing on supporting the SME market, are as attractive now, as when the strategy was first put in place.

Governance
Following a review of Corporate Governance, the Board increased the number of its independent non-executive directors in February by appointing four non-executive directors of Recognise Bank Limited as non-executive directors of the Company. As well as bringing the Company into line with the 2018 Corporate Governance Code requirements on independent non-executive directors, these appointments improve corporate governance overall by streamlining the oversight function of the boards of both companies.

The governance structure of the Company will be kept under review as the expansion of the Group continues.

Board changes
There have been a number of Board changes during the year.

Ruth Parasol and Nyreen Bossano-Llamas were appointed on 9 October 2020 in accordance with the terms of the Relationship Agreement with Parasol V27 Limited, the Company's largest shareholder.

Following the Corporate Governance review, four non-executive directors of Recognise Bank Limited were appointed as non-executive directors of the Company in February.

Lorna Brown and Lorraine Young resigned as non-executive directors on 18 August 2020 and 15 January 2021, respectively.

Andy Crossley, who has been a non-executive director since 2015 stepped down from the Board at the General Meeting on 8 September 2021.

I should like to thank Lorna, Lorraine and Andy for the valuable contributions each has made to the Board.

AGM matters
The Board is seeking authority at the AGM to issue up to 20,959,316 new shares. As in 2020, this is a larger amount than would normally be sought but will allow COLG to raise the new equity required to finance business opportunities arising after Recognise Bank has a full banking licence.

The Board does not recommend payment of a dividend.

Colin Wagman
Colin Wagman retired as Chair of the Board on 10 June. On behalf of the Board, I should like to thank Colin, who became the Chair in October 2017, for the valuable contribution he has made since that time and his leadership in implementing a new Group strategy which is being successfully delivered.

Outlook
A summary of the Group's activities during the year is given in the Strategic report.

While the continuing impact of COVID-19 on economic growth remains uncertain, the Board is confident that Recognise Bank, as a relationship-led bank supported by modern cloud-based technologies focusing on providing a high-quality service to customers, is well placed to meet the present and future needs of its target customers in the UK SME market.

The Group is successfully delivering the strategy it set out in 2017 and 2018 and the ability for Recognise Bank to take deposits, which is expected in the third quarter of 2021, is the final regulatory milestone to allow it to move forward as a bank and achieve its business plan.

Philip Jenks
Chair
9 September 2021

Strategic report

The Group operated in three business areas during the year ended 31 March 2021. The Company's banking subsidiary, Recognise Bank, began trading following receipt of AwR in November 2020: all new lending activity is now transacted through Recognise Bank which anticipates receiving a full UK banking licence in the third quarter of 2021. The Company has decided it should focus future activities on the development of Recognise Bank and divest itself of its other two businesses. Acorn to Oaks was sold on 1 April 2021 and the sale of Milton Homes was agreed, subject to regulatory approval, on 3 September 2021.

The business areas were:
- providing loan and lease finance to the UK SME market through Recognise Bank, which offered its first loans in December, PFS, a property bridging finance company, and CAML, which offered asset-based finance and commercial and professional loans;
- acting as a financial services intermediary focusing on the SME and property markets through Acorn to Oaks; and
- administering a portfolio of home reversion plans through Milton Homes.

A review of each business is included below.

Financial summary

The consolidated results before tax of the businesses in the Group are shown below:

	2021 £'000	2020 £'000 (restated)
Banking activities, including banking licence application costs	(7,812)	(3,351)
Loan, lease and professions financing[(a)]		
Asset based finance, commercial and professional loans	(297)	(1,336)
Property bridging finance	109	58
Home reversion plans[(a)]	3,243	(2,602)
Financial services intermediary	5	(36)
Other	(7)	(8)
Holding company[(b)]	(7,888)	(2,385)
Loss before tax	(12,647)	(9,660)
Continuing operations	(10,119)	(6,452)
Discontinued operations[(b)]	(2,528)	(3,208)
	(12,647)	(9,660)

(a) stated after quasi-equity intra group payments of interest.
(b) 2021 includes a charge of £6,657,000 for the change in value of business units on reclassification as disposal groups.

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

	2021 £'000	2020 £'000 (restated)
Net costs associated with banking licence application and movement to a full UK bank banking licence	(7,812)	(3,351)
Loss before tax for the year (£'000)	(12,647)	(9,660)
Consolidated net assets per share (attributable to owners of the parent)	49p	60p

The results for the year reflect the transition in the Group's activities as it implements its strategy of focusing on the development and growth of Recognise Bank.

Recognise Bank began trading in November after receiving authorisation with restriction as a bank from the PRA. Progress towards obtaining a full UK banking licence was made as Recognise Bank worked towards meeting the regulatory mobilisation conditions set by the Regulator in the latter part of the year. The net costs of £7.8m for the year reflect the costs of completing the build-out and testing of Recognise Bank's banking infrastructure and the gradual build-up of its team to support future development and growth.

Following the decision of the Board to concentrate the Group's future activities on Recognise Bank and divest itself of its other businesses, the results include a one-off charge of £6.7m for the change in value of Milton Homes and Acorn to Oaks on reclassifying them as businesses held for disposal. Since the year end both businesses have been sold with completion in the case of Milton Homes being conditional upon regulatory approval.

Milton Homes made a profit of £3.2m compared with a loss of £2.6m in 2020 as UK residential property valuations increased sharply from March 2020. After the re-opening of the property market in May 2020, there was a continuing demand for properties for the rest of the year with sales prices generally exceeding expectations. The number of sales achieved in the year was affected by an increase in the time taken to complete sales.

Following the decision to cease new lending through CAML and PFS in March 2020, the existing lending portfolios entered their run-off phase. Despite the issues arising from the COVID-19 pandemic, the run-off process has to date gone smoothly and the provisions for bad and doubtful debts made in March 2020 in response to COVID-19 have proved appropriate. Allowance has been made for possible increased future defaults as the economy emerges from lockdown restrictions in the provisions carried forward.

The key contributors to the increase of £3.0m in the loss for the year are:

- increase of £4.4m in the net costs of Recognise Bank;
- one-off charge of £6.7m on the reclassification of Milton Homes and Acorn to Oaks as disposal groups;
- increase of £5.8m in the revenue earned by Milton Homes;
- decrease of £1.3m in the charge for bad and doubtful debts; and
- reduction of £1.4m in the charge for goodwill impairment.

Current activities

The Group has largely completed the process of re-focusing its activities, following the sale of both Acorn to Oaks and Milton Homes, subject to regulatory approval, since the year-end. Net proceeds from the sales will be reinvested in Recognise Bank to facilitate further development of its business.

Recognise Bank met the technical requirements for mobilisation in June 2021 within seven months of receiving AwR. It is continuing to implement its business plans and develop its product offerings so that it is well placed to grow its lending activities in line with growth in deposit taking once it has received a full UK banking licence and deposit restrictions are removed. Since the year end, Recognise Bank has increased its office space in Manchester, which services customers in the North West, and opened an office in Birmingham to service customers in the Midlands.

The run-off of the lease and loan portfolios of CAML/PFL and PFS is continuing as planned. Existing customers of these businesses may apply for loans from Recognise Bank.

As lockdown restrictions are gradually removed, staff are moving towards working on a hybrid basis, working part of the week in the office and part of the week from home.

Review of the businesses

Recognise Bank Limited ("Recognise Bank") – Bank focused on UK SME market

(a) Description of the business and business model
Recognise Bank began the process of applying for a UK banking licence in early 2018 with the objective of setting up a fully licensed bank that would focus on the UK SME market and accept deposits from both business and retail savers. The Group strategy is to develop a relationship-led bank using versatile cloud-based technology that will focus on delivering excellent service to SME businesses, which are key to the future growth of the UK economy, but have to date been underserved.

Major milestones were achieved during the year. Following the issue in July 2020 by the PRA of its Total Capital Requirement (TCR) letter, which set out the PRA's capital and liquidity requirements, Recognise Bank received authorisation with restriction (AwR) as a bank on 10 November 2020 and began trading, offering four loan products from November. Receipt of AwR enabled the change of name from Recognise Financial Services Limited to Recognise Bank Limited.

After receiving AwR, Recognise Bank worked to complete the build out and testing of its banking infrastructure and meet the regulatory mobilisation conditions set by the PRA in November. The technical requirements were met in June 2021: a full UK banking licence will be granted when capital adequacy requirements are met, after completion of the planned capital raise.

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

£'000	2021	2020
Revenue	76	-
Loss before tax	(7,812)	(3,351)

The loss reflects the costs associated with developing the banking infrastructure and setting up its appropriate governance and management structure, including the recruitment of key staff, as Recognise Bank moved towards becoming a fully licensed bank during the year. The executive team exercised strict control over costs and the timing of expenditure.

COLG invested £34.6m in Recognise Bank during the year to facilitate its development and provide an initial capital base to support its lending activities. This investment included the transfer of the ownership of PFS from COLG to Recognise Bank in October 2020 and the assignment from COLG of a loan of £4.85m made to PFS.

Recognise Bank began trading in November, offering four initial lending products and making loans in its own name. All new lending in the Group will be made through Recognise Bank and customers of PFS, CAML and PFL, whose portfolios are now in run-off, can seek further funding through Recognise Bank.

The confidence of the management team that Recognise Bank will attract new borrowers is borne out by the fact that between November 2020 and the Group year-end in March, Recognise Bank received loan applications in excess of £400m.

Recognise Bank is now working to develop and expand its business in line with its strategy, building a regional presence in the North West, Yorkshire, Midlands and the South. As a new entrant to the SME banking market, Recognise Bank does not have the potential problems associated with a legacy loan book and is able to concentrate on meeting the needs of customers and building a quality loan book. While there are concerns about the future impact of COVID-19 on the SME business sector, Recognise Bank is well placed to help the growth of businesses with underlying strength and experienced management as well as to assist entrepreneurs who see opportunities at this point in the economic cycle.

Property & Funding Solutions Ltd ("PFS") – Property Bridging Finance

(a) Description of the business and business model
PFS provided property bridging and development finance for commercial customers from its launch in May 2018 until the Group placed a hold on all new lending in March 2020 due to the impact of COVID-19. Additional funding was, however, provided during the year to existing customers to deliver agreed business plans that would achieve full repayment of the underlying loan.

As the Group decided in March 2020 that all new lending would be made through Recognise Bank, the existing PFS loan portfolio is now in its run-off phase.

Recognise Bank considers property bridging finance to be one of its core loan products and existing PFS customers can seek future funding through Recognise Bank.

(b) Financial review

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

£'000	2021	2020
Revenue	770	631
Operating profit	442	282
Profit before tax	109	58

The COVID-19 pandemic and resultant lockdown initially impacted both the residential and commercial property markets. During the year PFS focused on managing its existing loan book and maintaining regular contact with its customers. No payment moratoriums were required by its customers and no loans required any specific impairment provision. As a result of the impact on property markets and a marked slowdown in the debt markets for new lending, PFS supported its customers with loan extensions to allow them more time to execute their business plans and achieve full repayment of their loans. The loan book of £5.74m at 31 March 2021 comprised 8 loans.

Credit Asset Management Limited ("CAML") and Professions Funding Limited ("PFL") – Asset Based Finance, Commercial and Professional Loans

(a) Description of the business and business model

CAML is a business to business provider of debt finance to UK SMEs. Until the Group paused all new lending in March 2020 in response to COVID-19, CAML provided asset backed finance and commercial loans to SMEs and, through PFL, loans to professional practice firms, sourcing business through a national network of finance brokers.

As the Group decided in March 2020 that all new lending would be made through Recognise Bank, the existing loan and lease portfolios are now in their run-off phase.

Recognise Bank considers asset finance, working capital loans and professional practice property bridging finance to be core loan products and existing CAML and PFL customers can seek future funding through Recognise Bank.

(b) Financial review

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

£'000	2021	2020
Revenue	1,130	2,035
Operating loss before shareholder capital charges	(66)	(1,126)
Loss before tax	(297)	(1,336)

CAML made an operating loss before shareholder charges of £66k (2020: loss of £1,126k). The results for the year were adversely affected by one off business restructuring costs following the decision to wind down the business. The prior year loss included a provision for bad debts of £1,138k that was made in March 2020 as a result of the COVID-19 pandemic.

In early March 2020, CAML commenced an extensive telephone customer contact programme. to determine the extent of the impact of the COVID-19 pandemic on its customers' businesses and their ability to meet payments due to CAML and PFL. Contact with individual customers was maintained throughout the year and was well received. In appropriate circumstances, the business supported customers through reduced payment, interest only and full capital and interest moratoriums. Recognising the differing impacts of the trading restrictions imposed on different business sectors, CAML extended the initial three-month moratorium for periods that depended on the extent to which the underlying business of the customer had been affected by the various lockdown restrictions.

The information obtained from early direct customer contacts was used to inform the IFRS 9 provisioning exercise undertaken at 31 March 2020. This and the on-going contact with customers during the year have similarly informed the IFRS 9 provision exercise as at 31 March 2021. The effects of COVID-19 and repeated lockdown restrictions have been more prolonged and severe than initially expected and, as the government's support schemes are withdrawn, it is anticipated there will be increased stress on businesses as business owners attempt to rebuild their trading performance. With this in mind, CAML has reviewed the basis of its IFRS 9 provisioning exercise and, as at 31 March 2021, reclassified all agreements with hospitality and leisure businesses as Stage 2 agreements to reflect the fact these sectors have been most affected by lockdown restrictions, and also increased its estimate of future losses where agreements go into default. This resulted in an additional provision of £62k for future losses on Stage 1 and Stage 2 agreements which were not currently in default but, from the IFRS 9 model, might be expected to go into default in the next 12 months.

Despite the adverse impacts of COVID-19, CAML maintained scheduled repayments on its block funding facilities and completed full repayment of its loan from COLG during the year. This was achieved due to focused cash collection efforts which enabled CAML to maintain good cash balances.

The size of the portfolio (the current net investment in the loans/leases provided to customers) decreased from £14.7m to £6.1m over the year.

A number of employees transferred to Recognise Bank in July 2020 as part of the Group's forward recruitment plans.

Milton Homes Limited ("Milton Homes") – Home Reversion Plans

(a) Description of the business and business model
Milton Homes, an equity release provider, administers a portfolio of individual UK residential properties through 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 sells the vacant property and distributes the sale proceeds, including any that may be due to the customer or his estate. Milton Homes is realising its portfolio as reversions occur.

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	2021	2020
Revenue	9,005	3,643
Operating profit/ (loss) before shareholder capital charges	4,148	(1,679)
Profit/ (loss) before tax	3,243	(2,602)

Milton Homes' day-to-day business has not changed since October 2017: it has continued to sell its properties as reversions occur, producing cash flow for re-investment in the Group. The portfolio, which comprised interests in 437 properties at 31 March 2021 (2020: 473 properties), was externally valued at £69.7m at that date (2020: £68.95m). The number of properties that reverted to Milton Homes during the year was 58 compared with 49 in the previous year.

The results reflect the recovery in the housing market since March 2020 with an increase in the house price index of 6.34% compared with 1.81% in the previous year, as well as the increased number of reversions. The number of sales achieved was affected by an increase in the time taken to complete sales which is in part attributable to the COVID-19 pandemic. At 31 March 2021 Milton Homes had 30 properties on the market, of which 24 were under offer. Since the year end, Milton Homes has sold 23 properties and currently has a further 19 under offer.

During the year, Milton Homes paid cash of £1.0m to COLG from its operational cash flow towards repayment of the Deep Discount Bonds held by COLG (2020: £1.5m).

Following the Board's decision to focus on the future development of the Group's banking activities, Milton Homes was reclassified as a discontinued operation. An agreement for the sale of the company and its subsidiaries, which is subject to the FCA giving approval for the change of control of Milton Homes, was signed on 3 September 2021.

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 focuses on the SME and property markets, providing whole of market broking advice services for general insurance, commercial finance broking, regulated mortgages, protection, pensions and investments.

(b) Financial review

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

£'000	**2021**	**2020**
Revenue	885	746
Operating profit before prior period costs	5	19
Prior period costs	-	(55)
Operating profit/ (loss)	5	(36)
Profit/ (loss) before tax	5	(36)

The results of Acorn to Oaks for the year were disappointing as it was unable to take forward its plans for business expansion due to the effects of the COVID-19 pandemic. The commercial finance broking division saw very little activity in the market in the first half of the year as development activity stalled although by the year-end the number of pipeline deals increased as the market gradually recovered. The general insurance division closed its recently established London base in January 2021 as COVID-19 continued to depress the level of SME business activity.

The level of activity of the general insurance division's core business and the IFA remained stable over the period, as both maintained their high client retention rate. General insurance revenue levels benefitted from the hardening of insurance premium rates over the year.

Following the Board's decision to focus on the future development of the Group's banking activities, Acorn to Oaks was reclassified as a discontinued operation. It was sold on 1 April 2021.

Consolidated income statement
for the year ended 31 March 2021

		2021 £'000		2020 £'000 (restated)	
	Note	Continuing operations	Discontinued operations (a)	Continuing operations	Discontinued operations (a)
Revenue					
Interest income		1,900	-	2,500	-
Other		76	9,890	166	4,389
Cost of sales		(13)	(330)	(18)	(295)
Gross profit		1,963	9,560	2,648	4,094
Administrative expenses:	5				
Change in value of business units on reclassification as disposal groups		–	(6,657)	–	–
Provisions for bad and doubtful debts		(138)	–	(1,571)	–
Other		(11,396)	(1,579)	(6,807)	(3,371)
Other income		103	11	180	1
(Loss)/ profit from operations		(9,468)	1,335	(5,550)	724
Finance expense		(651)	(3,863)	(902)	(3,932)
Loss before tax		(10,119)	(2,528)	(6,452)	(3,208)
Tax expense	7	–	(232)	–	(70)
Loss after tax		(10,119)	(2,760)	(6,452)	(3,278)
Loss after tax from discontinued operations		(2,760)		(3,278)	
Loss for the year		(12,879)		(9,730)	
Loss for the year comprises losses from:					
Banking activities, including banking licence application costs (b)		(7,922)		(3,351)	
Discontinued operations		(2,760)		(3,278)	
Other activities		(2,197)		(3,101)	
		(12,879)		(9,730)	
Loss for the year attributable to:					
Owners of the parent		(12,879)		(9,742)	
Non-controlling interests		-		12	
Loss for the year		(12,879)		(9,730)	
Basic and diluted earnings per share attributable to owners of the parent	2				
Continuing operations		(16.84)p		(16.20)p	
Discontinued operations		(4.59)p		(8.26)p	
Total		(21.43)p		(24.46)p	

(a) Discontinued operations in 2021 comprise the businesses operated through:
- Acorn to Oaks Financial Services Limited, a financial services intermediary, which was sold on 1 April 2021; and
- Milton Homes Limited, which administers a portfolio of home reversion plans and was reclassified as a disposal group held for sale in March 2021.

The results for the prior year have been restated.

(b) The loss from banking activities, including banking licence application costs, has been disclosed separately as the award of a full UK banking licence is fundamental to implementation of the Group's medium and long-term strategy.

Consolidated statement of comprehensive income

for the year ended 31 March 2021

	2021 £'000	2020 £'000 (restated)
Loss for the year from continuing operations	(10,119)	(6,453)
Loss for the year from discontinued operations	(2,760)	(3,277)
Total loss for the year	(12,879)	(9,730)
Other comprehensive expense from continuing operations		
Item that will not be reclassified to profit or loss		
Change in fair value of debt securities	-	-
Valuation loss on fair value of legal case investments	-	(130)
Other comprehensive expense from continuing operations	-	(130)
Total other comprehensive expense	-	(130)
Total comprehensive expense from continuing operations	(10,119)	(6,583)
Total comprehensive expense from discontinued operations	(2,760)	(3,277)
Total comprehensive expense	(12,879)	(9,860)
Total comprehensive expense attributable to:		
Owners of the parent	(12,879)	(9,872)
Non-controlling interests	-	12
	(12,879)	(9,860)

Consolidated statement of changes in equity

	Attributable to owners of the parent company						Attributable to non-controlling interests	
	Equity Instrument £'000	**Accumulated losses £'000**	**Capital reserve £'000**	**Share premium £'000**	**Share capital £'000**	**Total £'000**	**£'000**	**Total equity £'000**
At 31 March 2019	1,293	(21,672)	-	50,104	4,436	34,161	13	34,174
Loss for the year – continuing operations (as restated)	–	(6,453)	–	–	–	(6,453)	–	(6,453)
Loss for the year – discontinued operations (as restated)	–	(3,289)	–	–	–	(3,289)	12	(3,277)
Other comprehensive expense – continuing operations								
Valuation loss on fair value of legal case investments	–	(130)	–	–	–	(130)	–	(130)
Total comprehensive income	-	(9,872)	–	–	–	(9,872)	12	(9,860)
Contributions by and distributions to owners								
Share-based payments	–	133	–	–	–	133	–	133
Distributions to non-controlling interests	–	–	–	–	–	–	(25)	(25)
Acquisition of non-controlling interest	–	(63)	–	–	–	(63)	–	(63)
Issue of shares	–	–	–	695	12	707	–	707
Total contributions by and distributions to owners	–	70	–	695	12	777	(25)	752
At 31 March 2020	1,293	(31,474)	–	50,799	4,448	25,066	–	25,066

	Attributable to owners of the parent company						Attributable to non-controlling interests	
	Equity Instrument £'000	Accumulated losses £'000	Capital reserve £'000	Share premium £'000	Share capital £'000	Total £'000	£'000	Total equity £'000
At 31 March 2020	1,293	(31,474)	–	50,799	4,448	25,066	–	25,066
Loss for the year – continuing operations	–	(10,119)	–	–	–	(10,119)	–	(10,119)
Loss for the year – discontinued operations	–	(2,760)	–	–	–	(2,760)	–	(2,760)
Other comprehensive income – continuing operations								
Change in fair value of debt securities	–	–	–	–	–	–	–	–
Total comprehensive income	–	(12,879)	–	–	–	(12,879)	–	(12,879)
Contributions by and distributions to owners								
Share-based payments	–	182	–	–	–	182	–	182
Transfer on cancellation of Deferred shares	–	–	3,648	–	(3,648)	–	–	–
Issue of shares to Employee Benefit Trust	–	(1)	–	1	–	–	–	–
Issue of shares on conversion of 6% Convertible Unsecured Loan Notes 2021	–	–	–	2,022	28	2,050	–	2,050
Acquisition of non-controlling interest in Recognise Bank Limited on exercise of put option by minority shareholders	–	(4,480)	–	4,368	112	–	–	–
Issue of shares following cash raise	–	–	–	25,585	675	26,260	–	26,260
Transfer to current liabilities (note 11)	(1,293)	–	–	–	–	(1,293)	–	(1,293)
Total contributions by and distributions to owners	(1,293)	(4,299)	3,648	31,976	(2,833)	27,199	–	27,199
At 31 March 2021	–	(48,652)	3,648	82,775	1,615	39,386	–	39,386

Consolidated balance sheet
as at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Investment properties	8	-	38,609
Financial assets – equity release plans	9	-	30,343
Intangible assets	10	1,028	2,526
Property, plant and equipment		150	96
Right-of-use assets		369	650
Loans		7,149	3,593
Finance leases		988	1,600
Total non-current assets		9,684	77,417
Current assets			
Loans		7,496	11,728
Finance leases		398	1,087
Trade and other receivables		3,071	3,001
Debt securities		6,500	-
Cash and cash equivalents		14,493	7,219
		31,958	23,035
Assets in disposal groups classified as held for sale	11	66,294	-
Total current assets		98,252	23,035
Total assets		107,936	100,452
Current liabilities			
Borrowings		(4,022)	(7,208)
Trade and other payables		(4,424)	(3,881)
Lease liabilities		(289)	(298)
		(8,735)	(11,387)
Liabilities directly associated with assets in disposal groups classified as held for sale	11	(56,730)	-
Total current liabilities		(65,465)	(11,387)
Non-current liabilities			
Borrowings		(2,976)	(62,615)
Other creditors		-	(149)
Lease liabilities		(109)	(426)
Deferred tax liability	12	-	(809)
Total non-current liabilities		(3,085)	(63,999)
Total liabilities		(68,550)	(75,386)
Net assets		39,386	25,066
Equity			
Share capital	13	1,615	4,448
Share premium		82,775	50,799
Capital reserve	13	3,648	-
Equity instrument		-	1,293
Accumulated losses		(48,652)	(31,474)
Equity attributable to owners of the parent		39,386	25,066
Non-controlling interests		-	-
Total equity		39,386	25,066

Consolidated statement of cash flows
for the year ended 31 March 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Loss before tax	(12,647)	(9,660)
Adjustments for:		
Depreciation and amortisation	399	53
Share-based payments	182	340
Provision for bad and doubtful debts	138	1,571
Impairment of goodwill	117	1,555
Change in value of business units on reclassification as disposal groups	6,657	-
Impairment of other investments	-	8
Investment properties and equity release plan financial assets:		
Increases in the fair values of these assets	(6,712)	(1,581)
Realised gains on the disposal of these assets	(1,082)	(695)
Equity transfer income	(1,212)	(1,367)
Interest payable	4,514	4,834
Changes in working capital:		
Increase in trade and other receivables	(692)	(609)
Increase in trade and other payables	1,419	586
Leases advanced	(7)	(1,377)
Leases repaid	1,308	2,308
Loans advanced	(7,914)	(20,432)
Loans repaid	8,452	18,635
Purchase of Debt securities	(6,500)	-
Cash used in operations	(13,580)	(5,831)
Corporation tax	-	(4)
Net cash used in operating activities	(13,580)	(5,835)
Cash flow from investing activities		
Proceeds from the sale of Investment properties and equity release plan financial assets	8,271	6,258
Purchase of Investment properties and equity release plan financial assets	-	(42)
Purchase of CAML 8% Preference Shares	(1,250)	-
Investment in intangible assets	(536)	(545)
Purchase of property, plant and equipment	(127)	(60)
Net cash generated from investing activities	6,358	5,611
Cash flow from financing activities		
Proceeds from issue of ordinary shares	26,260	500
Loans drawn down	294	4,395
Repayment of loans	(10,488)	(12,550)
Distributions to non-controlling interests	-	(25)
Payment of lease liabilities	(357)	-
Interest paid	(443)	(637)
Net cash generated from/ (used in) financing activities	15,266	(8,317)
Net increase/ (decrease) in cash and cash equivalents	8,044	(8,541)
Cash and cash equivalents brought forward	7,219	15,760
Cash included as Assets in disposal groups classified as held for sale	(770)	-
Net cash and cash equivalents	14,493	7,219

	2021 £'000	2020 £'000
Operating, investing and financing activities are categorised as follows:		
Net cash used in operating activities		
Continuing operations	(12,556)	(4,593)
Discontinued operations	(1,024)	(1,242)
	(13,580)	(5,835)
Net cash generated from investing activities		
Continuing operations	(1,910)	(602)
Discontinued operations	8,268	6,213
	6,358	5,611
Net cash generated from/ (used in) financing activities		
Continuing operations	21,442	(4,293)
Discontinued operations	(6,176)	(4,024)
	15,266	(8,317)

Notes

1 Basis of preparation

Preliminary announcement
The financial information contained in this preliminary announcement does not constitute full accounts as defined in section 434 of the Companies Act 2006 and has been extracted from the statutory accounts for the year ended 31 March 2021. The auditors have issued an unqualified report on these statutory accounts. The statutory accounts for the year ended 31 March 2020 have been filed with the Registrar of Companies and the statutory accounts for the year ended 31 March 2021 will be filed with the Registrar of Companies in due course.

This announcement has been prepared using recognition and measurement principles of International Financial Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006. This announcement does not contain sufficient information to comply with IFRS.

The financial statements of the Group have been prepared on a going concern basis.

The directors consider the going concern basis to be appropriate following their assessment of the Group's financial position and its ability to meet its obligations as and when they fall due. The Annual Report will include further information on the Group’s going concern assessment and a Group viability statement.

In making their going concern assessment the directors have considered the following:
- the base case and stressed Group cash flow forecasts for the period to 30 September 2022;
- the capital structure and liquidity of the Group;
- the principal and emerging risks facing the Group and its systems of risk management and internal control;
- the uncertainties arising from the COVID-19 pandemic on the future UK economic outlook and actions the Group could take to mitigate the impact on the business;
- the completion of all mobilisation conditions set by the PRA as a requirement for Recognise Bank to obtain a full banking licence with no restrictions; and
- the raising of further capital to support the growth of Recognise Bank.

Following the assessment of the Group's financial position and its ability to meet its obligations as and when they fall due, the directors are satisfied that the Group 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.

The same accounting and presentation policies were used in the preparation of the statutory accounts for the year ended 31 March 2020 with the exception of the following new standards and interpretations which were adopted for the first time in the financial statements for the year ended 31 March 2021:
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

There was no impact on the Group following the adoption of the above.

2 Earnings per share

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. 21,849 ordinary shares of £0.02 were held by the Employee Benefit Trust at 31 March 2021 (2020: 21,349).

	2021	**2020 (restated)**
Loss attributable to equity holders (£'000)		
Continuing operations	(10,119)	(6,452)
Discontinued operations	(2,760)	(3,290)
Total	(12,879)	(9,742)
Weighted average number of ordinary shares in issue ('000)	60,090	39,831
Basic and diluted earnings per share		
Continuing operations	(16.84)p	(16.20)p
Discontinued operations	(4.59)p	(8.26)p
	(21.43)p	(24.46)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.

3 Dividends

The directors do not recommend payment of a final dividend (2020: nil).

4 Segmental reporting

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

The Group is managed through its operating businesses which, during the year, comprised the provision of home reversion plans to the equity release market, loan, lease and professions financing and financial services intermediary. Following receipt of AwR in November 2020, Recognise Bank commenced banking activities and continued the process of moving towards meeting mobilisation conditions set by the PRA/ FCA. 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 2021

		Revenue £'000	Operating profit/(loss) £'000	Finance expense £'000	Quasi-equity intra group payments (a) £'000	Profit/(loss) before tax £'000
COLG	Intra-Group	1,096	1,851	-	-	1,851
	Change in value of business units on reclassification as disposal groups	-	(6,657)	-	-	(6,657)
	Other	-	(3,008)	(74)	-	(3,082)
		1,096	(7,814)	(74)	-	(7,888)
Banking activities, including banking licence application costs		76	(7,894)	(28)	110	(7,812)
Loan, lease and professions financing						
Asset based finance, commercial and professional loans		1,130	240	(471)	(66)	(297)
Property bridging finance		770	422	(78)	(235)	109
Other		-	(7)	-	-	(7)
Home reversion plans		9,005	8,007	(3,859)	(905)	3,243
Financial services intermediary		885	9	(4)	-	5
Intra-Group		(1,096)	(1,096)	-	1,096	-
		11,866	(8,133)	(4,514)	-	(12,647)
Continuing operations		1,976	(9,468)	(651)	-	(10,119)
Discontinued operations (b)		9,890	1,335	(3,863)	-	(2,528)
		11,866	(8,133)	(4,514)	-	(12,647)

(a) Quasi-equity intra group payments during the year comprise interest payable to COLG and Recognise Bank.
(b) Including change in value of business units on reclassification as disposal groups.

Pre-tax profit and loss
For the year ended 31 March 2020

		Revenue £'000	Operating profit/(loss) £'000	Finance expense £'000	Quasi-equity intra group payments £'000	Profit/(loss) before tax £'000
COLG	Intra-Group	1,151	1,604	(32)	-	1,572
	Other	-	(3,778)	(179)	-	(3,957)
		1,151	(2,174)	(211)	-	(2,385)
Home reversion plans		3,643	2,253	(3,932)	(923)	(2,602)
Loan, lease and professions financing						
Asset based finance, commercial and professional loans		2,035	(641)	(662)	(33)	(1,336)
Property bridging finance		631	282	(29)	(195)	58
Other		-	(8)	-	-	(8)
Banking licence application		-	(3,351)	-	-	(3,351)
Financial services intermediary		746	(36)	-	-	(36)
Intra-Group		(1,151)	(1,151)	-	1,151	-
		7,055	(4,826)	(4,834)	-	(9,660)
Continuing operations		2,666	(5,550)	(902)	-	(6,452)
Discontinued operations		4,389	724	(3,932)	-	(3,208)
		7,055	(4,826)	(4,834)	-	(9,660)

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

Consolidated Net Assets
For the year ended 31 March 2021

		Total £'000
COLG	Bank	44,673
	Loan, lease and professions financing	2,010
		46,683
	Assets classified as held for sale	9,564
	Other net assets	421
Net assets per entity balance sheet		56,668
Other net liabilities of subsidiary companies		(17,282)
Consolidated Net Assets		39,386

Consolidated Net Assets
For the year ended 31 March 2020

		Total £'000
COLG	Home reversion plans	13,449
	Bank	5,552
	Loan, lease and professions financing	5,575
	Financial services intermediary	1,130
		25,706
	Other net assets	5,577
Net assets per entity balance sheet		31,283
Other net liabilities of subsidiary companies		(6,217)
Consolidated Net Assets		25,066

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

5 Administrative expenses

	2021 £'000	2020 £'000
Staff		
Payroll	8,583	5,443
Other staff costs	274	43
Establishment costs		
Property costs	588	648
Other, including IT costs	1,446	959
Auditor's remuneration	345	301
Legal fees	64	192
Consultancy fees	218	659
Other professional fees	1,033	750
Provisions for bad and doubtful debts under IFRS 9	138	1,571
Provision for goodwill impairment	117	1,555
Change in value of business units on reclassification as disposal groups	6,657	-
Depreciation and amortisation	399	53
Reduction in deferred consideration	(92)	(425)
Total administrative expenses	19,770	11,749
Continuing operations	11,534	8,378
Discontinued operations	8,236	3,371
	19,770	11,749

6 Related party transactions and directors' remuneration

The directors of the Company, who are related parties of the Company, received aggregate emoluments for the year of £823,554 (2020: £557,500) of which £794,776 (2020: £557,500) was borne by the Company and £28,778 (2020: nil) by a subsidiary. In addition, aggregate social security costs were £101,433 (2020: £66,393) of which £98,067 (2020: £66,393) was borne by the Company and £3,366 (2020: nil) by a subsidiary. There are no other persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Accordingly, the aggregate amounts payable to directors equate to the aggregate compensation to key management personnel.

Group related parties
The transactions of Group companies with related parties included:

Transactions of the Company

The Company has agreements with its three largest shareholders which regulate arrangements with each, including the following:

- Parasol V27 Limited: The shareholder is entitled to nominate two non-executive directors to the board of the Company while it holds 25% or more of the voting shares of the Company and one non-executive director to the board of the Company and one non-executive director to the board of Recognise Bank Limited while it holds 10% or more of the voting shares. The present nominated directors of the Company are N Bossano-Llamas and R Parasol who is also the nominated director at Recognise Bank Limited.
- Max Barney Investments Limited: The shareholder is entitled to nominate a director to the board of the Company while it holds not less than 10% of the voting shares of the Company and any 8% Redeemable Preference Shares issued by Credit Asset Management Limited. The present nominated director is P G Milner.
- DV4 Limited: The shareholder is entitled to nominate an observer to the board of the Company while it holds not less than 10% of the voting shares of the Company.

The Company recharges the costs of shared premises to its subsidiaries, Credit Asset Management Limited, Milton Homes Limited, Property & Funding Solutions Ltd and Recognise Bank Limited. The amount recharged in the year was £518,000 (2020: £315,000).

7 Tax expense

	2021 £'000	2020 £'000
UK corporation tax		
Current year charge	-	6
Prior year charge	-	-
Deferred tax		
Relating to origination and reversal of temporary differences	232	64
Total tax expense	232	70
Continuing operations	-	-
Discontinued operations	232	70
	232	70

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% (2020: 19%). The differences are explained below.

Tax reconciliation	**2021 £'000**	**2020 £'000**
Loss before tax	(12,647)	(9,660)
At standard rate of corporation tax in the UK:	(2,403)	(1,835)
Effects of		
Items not deductible for tax purposes	1,572	447
Profit on revaluation of assets offset by brought forward losses	(751)	(216)
Other tax adjustments	208	75
Movement on unrecognised deferred tax asset	1,606	1,599
	232	70

8 Investment properties

At valuation	**2021 £'000**	**2020 £'000**
At 1 April	38,609	41,040
Additions	-	12
Disposals	(4,406)	(3,581)
Revaluations	3,953	1,138
	38,156	38,609
Reclassify as asset held for sale	(38,156)	-
At end of period	-	38,609
Investment properties	-	33,505
Investment properties held for sale (a)	-	5,104
	-	38,609
Numbers of properties		
At 1 April	248	271
Disposals	(19)	(23)
At 31 March	229	248

(a) On vacant possession having been obtained.

9 Financial assets – equity release plans

At valuation	**2021 £'000**	**2020 £'000**
At 1 April	30,343	30,485
Additions	-	30
Equity transfer	1,212	1,367
On ending of plans	(2,782)	(1,982)
Revaluations	2,759	443
	31,532	30,343
Reclassify as asset held for sale	(31,532)	-
At end of period	-	30,343
Financial assets – equity release plans	-	27,987
Financial assets – equity release plans held for sale (a)	-	2,356
	-	30,343
Numbers of properties		
At 1 April	225	239
Disposals	(17)	(14)
At 31 March	208	225

(a) On vacant possession having been obtained.

10 Intangible assets

Group	Goodwill £'000	Software licence & development £'000	Total £'000
Cost			
As at 31 March 2019	3,558	-	3,558
Additions in year	57	545	602
As at 31 March 2020	3,615	545	4,160
Additions in year	-	536	536
Reclassified as assets held for sale	(3,615)	-	(3,615)
As at 31 March 2021	-	1,081	1,081
Accumulated amortisation and impairment			
As at 31 March 2019	78	-	78
Charge in year	1,555	1	1,556
As at 31 March 2020	1,633	1	1,634
Charge in year	117	52	169
Reclassified as assets held for sale	(1,750)	-	(1,750)
As at 31 March 2021	-	53	53
Carrying amount			
As at 31 March 2021	-	1,028	1,028
As at 31 March 2020	1,982	544	2,526

11 Assets and liabilities classified as held for sale

	2021 £'000
Assets in disposal groups classified as held for sale	
Acorn to Oaks	1,737
Milton Homes	64,557
	66,294
Liabilities directly associated with assets in disposal groups classified as held for sale	
Acorn to Oaks	623
Milton Homes	56,107
	56,730
Fair value of disposal groups	
Acorn to Oaks	1,114
Milton Homes	8,450
	9,564

There were no Assets classified as held for sale at 31 March 2020.

During the year, the Company decided that, in order to meet its medium-term strategic objectives, the Group should focus its activities on the development and growth of Recognise Bank and divest itself of its other businesses, Milton Homes Limited ("Milton Homes"), which administers a portfolio of home reversion plans, and Acorn to Oaks Financial Services Limited ("Acorn to Oaks"), which is a financial services intermediary. The capital and additional management resource capacity that become available following the disposals will be deployed within Recognise Bank.

The assets of each business and the liabilities directly related to those assets form a disposal group, which will leave the Group following completion of a sale. The assets of each business and the liabilities directly related to the assets of each disposal group, were reclassified as "assets in disposal groups classified as held for sale" and "liabilities directly associated with assets in disposal groups classified as held for sale" respectively and included within current assets and liabilities at 31 March 2021. Assets reclassified as "assets in disposal groups classified as held for sale" include the goodwill arising on consolidation of the disposal group.

The sale of Acorn to Oaks was completed on 1 April 2021, immediately after the year-end, to Jason Oakley and his wife, Claire Oakley, who controlled the majority of the shares in Acorn to Oaks when it was purchased by the Company in January 2019. The disposal is deemed to be a related party transaction under Rule 13 of the AIM Rules as Jason Oakley is deemed to be a related party of the Company as he is a director of Recognise Bank, a wholly-owned subsidiary.

The sale of Milton Homes was agreed, subject to the receipt from the FCA of regulatory approval for the change of control, on 3 September 2021.

The fair value of Acorn to Oaks as at 31 March 2021 was assessed by reference to the net consideration realised on its sale on 1 April 2021.

The fair value of Milton Homes as at 31 March 2021 was assessed by reference to proposals received from parties who expressed an interest in purchasing Milton Homes and takes account of estimated disposal costs.

The charge arising from the change in value of the business units on their reclassification as disposal groups has been included in the loss from discontinued operations in the consolidated income statement:

Carrying amounts of assets in disposal group	**Before classification £'000**	**As remeasured £'000**	**Change in value £'000**
Acorn to Oaks			
Goodwill	861	747	114
Property, plant & equipment	6	6	-
Trade and other receivables	601	601	-
Cash at bank	383	383	-
	1,851	1,737	114
Milton Homes			
Goodwill	1,004	-	1,004
Investment properties	38,156	35,123	3,033
Financial assets – equity release plans	31,532	29,026	2,506
Trade and other receivables	21	21	-
Cash at bank	387	387	-
	71,100	64,557	6,543
Total change in value			6,657

The carrying amounts of assets and liabilities in the Acorn to Oaks disposal group at 31 March 2021 and 1 April 2021, the date of its sale, were:

	£'000	**£'000**
Assets in disposal group		
Goodwill		747
Property, plant & equipment		6
Trade and other receivables		601
Cash at bank		383
		1,737
Liabilities related to assets in disposal group		
Trade and other payables	(553)	
Other creditors	(70)	
		(623)
Carrying amounts of assets and liabilities		1,114
The net consideration for the sale was satisfied by:		
Cancellation of Rollover Loan Notes 2021 (a)		1,293
Cash payment by the Company		(140)
Costs of disposal		(39)
		1,114

(a) The Rollover Loan Notes 2021 were issued to the buyers at the time of the purchase of Acorn to Oaks in January 2019.

The carrying amount of the assets and liabilities in the Milton Homes disposal group at 31 March 2021 was:

	£'000
Assets in disposal group	
Investment properties	35,123
Financial assets – equity release plans	29,026
Trade and other receivables	21
Cash at bank	387
	64,557
Liabilities related to assets in disposal group	
Trade and other payables	(229)
Other creditors	(13)
Borrowings	(54,824)
Deferred tax liability	(1,041)
	(56,107)
Fair value of disposal group	8,450

12 Deferred tax liability

Deferred tax liability	2021 £'000	2020 £'000
At 1 April	809	744
Tax expense	232	65
	1,041	809
Reclassify to Liabilities directly associated with assets in disposal groups classified as held for sale	(1,041)	–
At 31 March	-	809
The deferred tax liability reclassified comprised:		
Gains arising from the revaluation of investment properties	1,999	1,549
Losses	(958)	(740)
	1,041	809

13 Called-up share capital

Allotted, called up and fully paid	2021 Number	2020 Number	2021 £'000	2020 £'000
Ordinary shares of £0.02	80,727,119	39,960,551	1,615	800
Deferred shares of £0.001	-	3,648,415,419	-	3,648
			1,615	4,448

The Company did not hold any ordinary shares in treasury at 31 March 2021 (2020: nil). 21,849 ordinary shares of £0.02 were held by the Employee Benefit Trust ("EBT") at 31 March 2021 (2020: 21,349). The trustees of the EBT subscribed for 500 ordinary shares at 114.4p each on 16 April 2020: the Company did not transfer any shares into or out of the EBT during the period (2020: nil). The fair value of shares held by the EBT at 31 March 2021 amounted to £17,000 (2020: £24,000): these are deducted from equity.

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At a general meeting on 27 April 2020, shareholders approved the buy back and cancellation of the Deferred shares of the Company in accordance with the Articles of Association, whereby all the Deferred shares could be purchased by the Company for a consideration of not more than £1.00 and subsequently cancelled. Under the Companies Act a share buy-back by a public company (such as the Company) can only be financed through distributable reserves or the proceeds of a fresh issue of shares made for the purpose of financing a share buy back. As the Company currently has no distributable reserves, the purchase of the Deferred shares for £1.00 was financed from the issue of 500 new ordinary shares which were allotted to the trustees of the EBT at a price of 114.4p each on 16 April

2020. Following the cancellation of the Deferred shares on 30 April 2020, a transfer of £3,648,415 was made from share capital to a capital reserve.

On 16 April 2020, the Company issued 500 ordinary shares at 114.4p each for cash to the EBT to enable the Company to proceed with the buy back and cancellation of the Deferred shares. The premium of £562 arising on the issue of the shares was credited to Share premium.

On 7 August 2020, the Company issued 1,433,465 ordinary shares at 143p each to the holders of the £2,050,000 6% Convertible Unsecured Loan Notes 2021, following their mandatory conversion into ordinary shares on the receipt by Recognise Bank of its TCR letter from the PRA on 21 July 2020. The premium of £2,022,000 arising on the issue of the shares was credited to Share premium.

On 4 September 2020, the Company issued 5,600,000 ordinary shares at 80p each to the minority shareholders in Recognise Bank Limited (then Recognise Financial Services Limited) who, following the receipt by Recognise Bank of its TCR letter, exercised their put option under the terms of the Recognise Shareholders' Agreement and sold their interest in the equity to the Company. The premium of £4,368,000 arising on the issue of the shares was credited to Share premium. Following the acquisition of these shares from the minority shareholders, the Company increased its shareholding from 72% to 100% and, in accordance with IAS 27, the consideration given for the shares, being the premium arising on consolidation, has been included as a movement in equity.

On 9 October 2020, the Company raised £26,684,550 through the issue of 33,355,688 ordinary shares at 80p each for cash. On 27 October 2020, the Company raised a further £301,452 through the issue of 376,815 ordinary shares at 80p each for cash. The funds raised were used to support the on-going development of Recognise Bank as it moved towards being granted a full UK banking licence.

Costs of £726,000 (2020: nil) were incurred in relation to the issue of shares in the year. The costs have been offset against the Company's Share premium.

Shares in issue	**Deferred Number**	**Ordinary of £0.02 Number**	**Deferred £'000**	**Ordinary £'000**
As at 31 March 2019	3,648,415,419	39,407,263	3,648	788
Issued for cash on 12 April 2019	–	400,000	–	8
Issued on 13 November 2019	–	153,288	–	4
As at 31 March 2020	3,648,415,419	39,960,551	3,648	800
Issued for cash on 16 April 2020	–	500	–	–
Cancelled on 30 April 2020 and transferred to Capital reserve	(3,648,415,419)	–	(3,648)	–
Issued on 7 August 2020 on conversion of 6% Unsecured Loan Stock 2021	–	1,433,565	–	28
Issued on 4 September 2020 following exercise of put option by minority shareholders in Recognise Bank Limited	–	5,600,000	–	112
Issued for cash on 9 October 2020	–	33,355,688	–	667
Issued for cash on 27 October 2020	–	376,815	–	8
As at 31 March 2021	–	80,727,119	–	1,615

Capital reserve

The capital reserve arose on 30 April 2020 following the buy back and cancellation of the Deferred shares. On cancellation of the Deferred shares, the share capital was reduced by £3,648,415 and this amount was transferred from share capital to a capital reserve, which is not distributable to shareholders.

14 Financial instruments – price risk

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

The bases of assessing the fair values of the investment properties and financial assets – equity release plans are set out in note 3 of the Annual Report. 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.

Both the investment properties and financial assets – equity release plans are held by Milton Homes which has been reclassified as a disposal group held for sale as at 31 March 2021 and included in the accounts at its estimated net realisable value, as was the Acorn to Oaks disposal group (note 11). The valuation of both these disposal groups is categorised as a level 3 valuation.

Due to their short maturity profiles, management is of the opinion that there is no material difference between the fair value and carrying value of trade and other receivables, cash and cash equivalents, and trade and other payables.

The directors therefore consider that the carrying value of financial instruments equates to fair value.

The following tables present the Group's assets that are measured at fair value:

	2021	2020
Level 3 valuation	**£'000**	**£'000**
Acorn to Oaks disposal group	1,114	–
Milton Homes disposal group	8,450	–
Investment properties	–	38,609
Financial assets – equity release plans	–	30,343
	9,564	68,952

No Level 1 or Level 2 assets were held at either 31 March 2021 or 31 March 2020.

Assets within the Milton Home and Acorn to Oaks disposal groups became Level 3 assets on their reclassification as disposal groups. The investment properties and financial assets – equity release plans held by Milton Homes were already Level 3 assets. There were no transfers of assets between categories during the previous year. 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:

	2021 £'000	2020 £'000
Balance at 1 April	68,952	71,663
Movements prior to reclassification		
Additions	-	42
Equity transfer	1,212	1,367
Revaluations	6,712	1,443
Disposals	(7,188)	(5,563)
	69,688	68,952
Transfer to Milton Homes disposal group	(69,688)	-
Additions – disposal groups	9,564	-
Balance at 31 March	9,564	68,952

15 Risk statement

The principal and emerging risks of the Group are reviewed and assessed 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 the Group's lending businesses and is mitigated in a number of different ways. There is a well-defined process for the approval of new lending, which includes assessment of the risks that customers will not meet their obligations and a review of the affordability of any loan. Lending is overseen by the credit committee which operates under specific delegated powers. Collateral security is obtained for most loans, with the majority of new lending being secured on property. As appropriate, loans are secured over other assets and company and personal guarantees obtained. Regular reports on the performance of the lending portfolio are made to the credit committee.

Interest rate risk
The Group is exposed to interest rate risk through Recognise Bank in two ways. Firstly, an increase in interest rates may result in lower net interest income as increased interest income is likely to lag increased borrowing costs. Secondly, on an increase in market interest rates, there is a value risk in that the value of fixed rate assets will fall by more than fixed rate liabilities, as there would typically be more fixed rate assets than fixed rate liabilities and these would have longer maturities. Third party borrowings by CAML and PFS are all at fixed rates. Recognise Bank mitigates interest rate risk through its Asset and Liability Committee which is responsible for identifying, managing and controlling all balance sheet risks in accordance with Recognise Bank's chosen business strategy.

Legal and regulatory risk
Regulatory risk now relates primarily to the activities of Recognise Bank and is the risk that it fails to meet regulatory requirements or guidelines that apply to it as a bank.

Following the receipt of authorisation with restriction as a bank in November 2020, Recognise Bank began the process of further developing and testing its systems as it moved towards mobilisation when it would receive a full UK banking licence. There was a risk that it would not satisfy the requirements of the Regulator. In June 2021, the Regulator confirmed that Recognise Bank had met the operational and technical standards required for mobilisation.

The on-going regulatory requirements related to both capital and liquidity adequacy. These are met by Recognise Bank having both an ICAAP and ILAAP which are approved by the Recognise Bank board annually, as well as compliance monitoring reviews. Recognise Bank monitors regulatory changes by maintaining a regulatory tracker.

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 undertakes only non-regulated lending.

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

The businesses which became discontinued operations during the year are regulated. Acorn to Oaks is authorised by the FCA to provide regulated products and services as advisor and broker while four subsidiaries of Milton Homes are also FCA regulated.

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 5-year strategic plans as well as annual budgets that include budgeted cash forecasts and funding requirements. There are some mitigations which can be invoked to reduce working capital requirements including cost cutting and managing the growth of the businesses.

Competition
As the Group's strategy is to concentrate on the development and growth of Recognise Bank, there is a risk that competition from both new banking entrants and existing dominant banking institutions will reduce lending margins and potentially the performance of the business. This risk is mitigated by exceeding customer expectations by focusing on customer service and developing products that meet the needs of Recognise Bank's target SME market.

Economic uncertainty
The COVID-19 pandemic has had a material adverse effect on UK economic activity to date, and its influence is likely to be felt for some years. The immediate outlook for the UK economy and in particular the SME market is uncertain as the government withdraws economic assistance to business. Continuing pressure on SME businesses is likely to increase the risk of defaults and may deter capital investment by the sector, which could adversely affect the development of the Group's lending businesses. Uncertain growth prospects for the UK economy may also affect the ability of the Company to raise the capital necessary to deliver its strategy.

Weak property market
The Group is adversely affected by a weak property market through its lending businesses. Factors that mitigate the risks within the lending businesses are the level of loan to value where loans are secured over property, covenants given by customers and, where appropriate, recourse to other forms of credit protection. Recognise Bank and PFS are affected 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.

Milton Homes is impacted by movements in the residential property market which delay sales or reduce sale values.

Cyber risk
The Board has considered risks arising from cyber crime and IT resilience. The Group is applying industry standard frameworks to its cyber defences and is using penetration testing and third-party vulnerability reports to assess its cyber posture. Recognise Bank also reviews the cyber posture of third parties which operate critical systems on its behalf. The Group has business continuity plans in place, including a disaster recovery plan.

People/succession
There is a risk that key management leave the business which may compromise the business. To mitigate this risk, management is incentivised with equity and bonuses comparable with the market.

16 Post balance sheet events

Acorn to Oaks Financial Services Limited
On 1 April 2021, the Company sold its wholly-owned subsidiary, Acorn to Oaks Financial Services Limited, which operates as a financial services intermediary, for a net consideration of £1,114,000. The disposal was a related party transaction as one of the purchasers, Jason Oakley, is a director of Recognise Bank (note 11).

Capital raise and open offer
On 23 August 2021, the Company announced a capital raise of £11.4 million through a share subscription, conditional on shareholder approval, which was obtained on 8 September 2021, and a raise of up to £6.9 million through an open offer.

Two of the Company's major shareholders, Parasol V27 Limited and Max Barney Investments Limited (together the "Subscribers"), have agreed to subscribe for 18,916,667 new ordinary shares at a subscription price of 60p per new ordinary share in cash for aggregate gross proceeds to the Company of £11,350,000 (the "Subscription"). In addition, the Subscribers will receive warrants to subscribe for 9,458,333 shares at an exercise price of 69p per new ordinary share over the next three years.

In addition, an open offer to qualifying shareholders on the same pricing terms as the Subscription will be launched shortly. Shareholders who subscribe for shares in the Open Offer will also receive warrants on the same terms as the Subscribers.

The proceeds of the capital raise and the sale of Milton Homes will be used to meet capital requirements and lift deposit restrictions on Recognise Bank.

Credit Asset Management Limited Preference Share Purchase
Related to the Subscription by Max Barney Investments Limited, the Company has agreed to purchase by 30 September 2021 £1million of accumulated preference dividend in Credit Asset Management Limited from HPB Pension Trust. HPB Pension Trust is connected with Max Barney Investments Limited.

Employee Benefit Trust
The Company issued 5,152,794 shares to the trustee of its Employee Benefit Trust on 6 September 2021 to satisfy future share awards under the Company's share incentive schemes. This represents 6.4% of the Company's current shares outstanding before this issue or 6.0% of the shares outstanding immediately after this issue but excluding any of the share issuances related to the Subscription, Open Offer or Warrants.

Milton Homes Limited
On 3 September 2021, the Company conditionally entered into an agreement to sell the entire issued share capital of Milton Homes Limited and its subsidiaries to Max Barney Investments Limited for a total consideration of £9.3 million. The sale, which is classified as a substantial transaction under AIM Rule 12, is conditional on receiving regulatory approval from the FCA for the change in control of Milton Homes Limited and of its lender. The net proceeds from the sale of Milton Homes are intended to contribute to the regulatory capital of Recognise Bank. The disposal constitutes a related party transaction under AIM Rule 13 as Max Barney Investments Limited holds in excess of 10% of the total voting rights of the Company.

Annual General Meeting

The 2021 annual general meeting will be held at 3.30 pm on 12 October 2021 at the office of the Company at The Royal Exchange, First Floor, 1 Royal Exchange Steps, London EC3V 3DG. The notice of meeting will be included in the Annual Report which will be posted to shareholders in mid September 2021.

We are keen to welcome shareholders in person to our 2021 Annual General Meeting this year, particularly given the constraints we faced in 2020 due to the COVID-19 pandemic. At present, it is possible under guidelines to allow shareholders to attend the AGM and therefore we are proposing to welcome shareholders to attend the AGM within safety constraints and in accordance with government guidelines. Shareholders who cannot attend the AGM should email any questions they have, or would normally raise during the course of the AGM to the Company Secretary (Ben.Harber@shma.co.uk). Given the constantly evolving nature of the COVID-19 situation, should circumstances change before the time of the AGM, we want to ensure that we are able to adapt arrangements, within safety constraints and in accordance with government guidelines. Should we have to change arrangements, we will issue a further communication via a Regulatory Information Service. As such, we strongly recommend shareholders monitor such communications, which can also be found on our website at www.cityoflondongroup.com. Shareholders wishing to appoint a proxy are encouraged to appoint the Chair as their proxy with their voting instructions.