LSE: CIN

26 September 2016

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 2016.

Key points

Business developments

- Litigation funding associate, Therium sold in April 2015 for a profit of £1.4m
- Credit Asset Management Limited ("CAML") raised £5m in 7% preference shares in July and completed a restructuring resulting in COLG increasing its interest in CAML from 51% to 85%
- Company raised £5m (before expenses) and transferred to AIM in October 2015
- Company applied £2m of net proceeds in buying 7% preference shares in CAML and repaid debt with the balance
- CAML increases its portfolio of owned and managed funds overall by 31% to £21.3m at year end
- Wider strategic options for CAML are being examined to help it achieve scale. This may result in the sale of the business.
- Following a significant deterioration in its financial position, Trade Finance Partners Limited ("TFPL") ceased undertaking new business in the second half of the year and is now focused on recovering advances

Financial results

- Loss before tax £6.8m after losses of £7.2m relating to TFPL and a profit of £1.4m on the sale of Therium (2015: loss before tax £1.6m)
- NAV per share of the Company 6p (2015: 42p)
- Consolidated NAV per share attributable to shareholders 6p (2015: 28p)

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Notes to Editors:

City of London Group plc ("COLG" or "the Company") is quoted on AIM (LSE: CIN) and is an investment company focused on providing finance to the SME sector, including professional service firms. It does this through investments in companies providing lease finance and loan finance.

www.cityoflondongroup.com

Business review

Overview

The objectives for the year remained consistent: to improve financial performance, to address the need for growth capital, and to simplify the Group through the disposal and orderly wind down of non-core activities.

While some objectives were achieved, the position of the Group has been materially affected by the deterioration in the financial position of its associate TFPL, which became apparent in the second half of the year. As a result, full provision has been made against the Group's equity and loan investments in TFPL, resulting in a charge of £6.3m.

The results for the Group show a loss before tax of £6.8m (2015: loss of £1.6m), which includes losses of £7.2m relating to TFPL (for impairment of the Group's investments and its share of losses) and a profit of £1.4m arising on the sale of Therium.

The sale of our non-core activity Therium and its associated entities was completed in April 2015 for a total consideration of £3.4m of which £1.75m was received in cash with the balance being deferred. Part of the balance was received during the year, with £1.2m being receivable over the period to April 2017. The disposal gave rise to a profit of £1.4m in the Group results.

Our lease and professions funding platform was restructured in July 2015. As part of this capital restructuring, CAML issued £5m 7% redeemable preference shares for cash to a third party. This additional capital assisted CAML to grow its portfolio of SME leases and loans to £13.7m at year end (being both CAML's and PFL's own books), from £6.6m prior to these funds becoming available. CAML continued to demonstrate strong growth until the events at TFPL further impacted the availability of funds. As a result the Board is now looking at wider strategic options for CAML to help it achieve scale, including the addition of potential investors or a sale of the business and/or loan book.

In October 2015, the Company raised a net amount of £4.5m by way of a placing of ordinary shares. The proceeds were used to pay down debt and to purchase £2m of the CAML 7% redeemable preference shares issued in July from the third party.

As part of the Group's strategy to contain costs, the Company cancelled its listing on the main market of the London Stock Exchange on 19 October 2015 and since that date the ordinary shares have been traded on the Alternative Investment Market ("AIM").

In light of the events at TFPL and knock on implications for CAML, the Group is now focused on maximising recoveries on its remaining investments.

TFPL

In the first half of the year, the Group's associate, TFPL, underwent a period of consolidation following management changes, which included the appointment of a new co-CEO and the departure of the Commercial Director, with a modest increase in the half year revenue and gross profit.

However, the financial position deteriorated sharply in the second half of the year after TFPL's principal secured lender, Macquarie, which also has a large equity holding, restricted the scope of business it would consider funding and TFPL identified a number of advances which were significantly impaired. Since the resignation of the TFPL directors appointed by Macquarie in November 2015, TFPL has focused on recovering its existing advances. The TFPL directors appointed by the Company resigned in March 2016.

With the change in its activities, TFPL has cut its cost base with staff numbers reducing progressively from 24 to 11 at the year end and now to a single operations director who is working to maximise recovery of advances. There are likely to be minimal, if any, amounts available for equity and loan note holders or other unsecured creditors.

While the effective failure of TFPL is very disappointing, as it is a stand-alone business with no cross-guarantees or other financial obligations from either COLG or CAML, the Group is insulated from the problems specific to this investment.

COLG increased its shareholding in TFPL from 44% to 48.9% at the beginning of the financial year when it acquired shares from a minority shareholder under the terms of the shareholder agreement.

CAML and Professions Funding Limited ("PFL")

CAML undertook a significant capital restructuring in July 2015 when it acquired PFL from the Company in exchange for the issue of shares in CAML, so increasing the Group's shareholding in CAML from 51% to 85%. At the same time CAML issued £5m 7% redeemable preference shares for cash to a third party: the Company subsequently acquired £2m of these redeemable preference shares.

The restructured balance sheet assisted in the growth of CAML and PFL's own lease and loan books to £13.7m at 31 March 2016 (2015: £3.8m). In spite of this increase in its net investment portfolio CAML and PFL's consolidated results show a loss before tax of £0.5m (2015: £0.3m), with the business needing further investment and growth of its investment portfolio to reach a break even position.

With the need for expansion and further requirements for external funding to meet this objective, the business has begun to scale back its operations in both its cost base and its lending in the SME loan and lease markets. This is due to the business being constrained by the capital available, partly due to concerns surrounding the events at TFPL and wider implications for COLG, whilst wider strategic options for CAML to achieve scale are considered.

COLG

The results of the Company for the year were impacted materially by the impairment of the Group's investment in TFPL. The loss of £10.7m (2015: loss of £1.1m) includes provisions for impairment of £7.2m relating to TFPL and £2.8m relating to CAML.

The two executive directors reduced their time commitment to the Company following the completion of the share placing in October 2015. Howard Goodbourn, the finance director, resigned in March 2016 and John Kent, the chief executive, resigned in April 2016.

Dividend

The Board does not recommend payment of a dividend.

Outlook
The parent company has continued to incur costs but with the changes to the Group structure and the impairment of the TFPL investment the focus of the Group is on maximising the recoveries of the remaining investments having taken a strategic view on the future of CAML and PFL, and recognising the challenges of finding the necessary funding to realise the underlying value of CAML within the current ownership structure.

Paul Milner
Chairman
23 September 2016

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

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

Consolidated income statement
for the year ended 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000 Continuing operations	Discontinued operations*
Revenue		2,534	1,769	585
Cost of sales		(51)	(64)	(571)
Gross profit		2,483	1,705	14
Administrative expenses	5	(2,512)	(2,159)	(11)
Profit/(loss) on sale of investments		2	(39)	–
Provision for impairment of investments		(51)	(99)	–
Loss on legal case investments		–	(411)	–
Profit on the disposal of assets classified as held for sale		1,398	–	–
Share of profits and losses of associates		(898)	(27)	–
Provision for impairment of the investment in and amounts owed by TFPL		(6,260)	–	–
Other income		326	316	–
(Loss)/profit from operations		(5,512)	(714)	3
Finance expense		(1,252)	(867)	–
(Loss)/profit before tax		(6,764)	(1,581)	3
Corporation tax	9	–	–	–
(Loss)/profit after tax		(6,764)	(1,581)	3
Profit after tax from discontinued operations		-	3	
Loss for the year		(6,764)	(1,578)	
Loss for the year attributable to:				
Owners of the parent		(6,646)	(1,418)	2
Non-controlling interests		(118)	(163)	1
		(6,764)	(1,581)	3
		-	3	
Loss for the year		(6,764)	(1,578)	
Basic and diluted earnings per share attributable to owners of the parent:				
Continuing operations	2	(24.36)p	(7.17)p	
Discontinued operations	2	-	0.01p	
Total	2	(24.36)p	(7.16)p	

* Discontinued operations in 2015 comprised the consolidated results of TFP Trading Company Limited up to 31 December 2014 when the shares owned by the Company were sold to its associate, TFPL.

Consolidated statement of comprehensive income
for the year ended 31 March 2016

	31 March 2016 £'000	31 March 2015 £'000
Loss for the year from continuing operations	(6,764)	(1,581)
Profit for the year from discontinued operations	-	3
Total loss for the year	(6,764)	(1,578)
Other comprehensive income/(expense) from continuing operations		
Items that will or may be reclassified to profit or loss		
'Available-for-sale' financial assets		
– Valuation losses taken on equity investments	(20)	(57)
– Provision for impairment transferred to income statement	51	90
– (Profit)/ loss on sale transferred to income statement	(2)	55
Other comprehensive income from continuing operations	29	88
Total other comprehensive income	29	88
Total comprehensive expense from continuing operations	(6,735)	(1,493)
Total comprehensive income from discontinued operations	-	3
Total comprehensive expense	(6,735)	(1,490)
Total comprehensive expense attributable to:		
Owners of the parent	(6,617)	(1,328)
Non-controlling interests	(118)	(162)
	(6,735)	(1,490)

Consolidated statement of changes in equity

	Attributable to owners of the parent company						
	Fair value reserve £'000	Accumulated losses £'000	Share premium £'000	Share capital £'000	Total £'000	Attributable to non-controlling interests £'000	Total equity £'000
At 31 March 2014	(193)	(6,512)	11,497	2,021	6,813	(986)	5,827
'Available-for-sale' investments							
– Valuation gains/(losses) taken to equity	(57)	–	–	–	(57)	–	(57)
– Provision for impairment transferred to income statement	90	–	–	–	90	–	90
– Loss on sale transferred to income statement	55	–	–	–	55	–	55
Net income recognised directly in equity	88	–	–	–	88	–	88
Loss for the year – continuing operations	–	(1,418)	–	–	(1,418)	(163)	(1,581)
Profit for the year – discontinued operations	–	2	–	–	2	1	3
Total comprehensive income	88	(1,416)	–	–	(1,328)	(162)	(1,490)
Contributions by and distributions to owners							
Value of employee services	–	40	–	–	40	–	40
Total contributions by and distributions to owners	–	40	–	–	40	–	40
Transfer on sale of subsidiary	–	–	–	–	–	(6)	(6)
At 31 March 2015	(105)	(7,888)	11,497	2,021	5,525	(1,154)	4,371
'Available-for-sale' investments							
– Valuation gains/(losses) taken to equity	(20)	–	–	–	(20)	–	(20)
– Provision for impairment transferred to income statement	51	–	–	–	51	–	51
– Profit on sale transferred to income statement	(2)	–	–	–	(2)	–	(2)
Net income recognised directly in equity	29	–	–	–	29	–	29
Loss for the year – continuing operations	–	(6,646)	–	–	(6,646)	(118)	(6,764)
Total comprehensive income	29	(6,646)	–	–	(6,617)	(118)	(6,735)
Contributions by and distributions to owners							
Value of employee services	–	20	–	–	20	–	20
Issue of shares	–	–	2,835	1,664	4,499	-	4,499
Total contributions by and distributions to owners	–	20	2,835	1,664	5,519	–	5,519
Reduction in non-controlling interests	-	(1,218)	-	-	(1,218)	1,172	(46)
At 31 March 2016	(76)	(15,732)	14,332	3,685	2,209	(100)	2,109

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

Consolidated balance sheet
as at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
Assets			
Non-current assets			
Intangible assets		-	46
Property, plant and equipment		27	40
'Available-for-sale' financial assets	7	151	177
Interests in associates		146	890
Legal case investments		138	232
Loans		9,005	10,613
Finance leases		2,477	970
Total non-current assets		11,944	12,968
Current assets			
Loans		5,446	1,656
Finance leases		1,635	676
Trade and other receivables		810	903
Cash and cash equivalents		2,497	1,221
		10,388	4,456
Assets classified as held for sale		-	1,831
Total current assets		10,388	6,287
Total assets		22,332	19,255
Current liabilities			
Borrowings		(3,935)	(1,688)
Trade and other payables		(3,051)	(1,737)
Total current liabilities		(6,986)	(3,425)
Non-current liabilities			
Borrowings		(13,237)	(11,459)
Total non-current liabilities		(13,237)	(11,459)
Total liabilities		(20,223)	(14,884)
Net assets		2,109	4,371
Equity			
Share capital	8	3,685	2,021
Share premium		14,332	11,497
Accumulated losses		(15,732)	(7,888)
Fair value reserve		(76)	(105)
Equity attributable to owners of the parent		2,209	5,525
Non-controlling interests		(100)	(1,154)
Total equity		2,109	4,371

Consolidated statement of cash flows
for the year ended 31 March 2016

	31 March 2016 £'000	31 March 2015 £'000
Cash flows from operating activities		
Loss before tax	(6,764)	(1,578)
Adjustments for:		
Depreciation and amortisation	36	69
Share-based payments	20	40
Impairment of 'available-for-sale' financial assets	51	99
(Profit)/loss on disposal of 'available-for-sale' financial assets	(2)	48
Profit on disposal of subsidiary	-	(9)
Loss on legal case investments	-	411
Loss on disposal of fixed assets	-	1
Share of profits and losses of associates	898	27
Provision for impairment of the investment in and amounts owed by TFPL	6,260	-
Profit on the disposal of assets classified as held for sale	(1,398)	-
Interest payable	1,252	867
Changes in working capital:		
(Increase) in trade and other receivables	(724)	(1,090)
Increase/ (decrease) in trade and other payables	1,334	(1,458)
Purchase of non-current investments	-	(14)
Proceeds from sale of 'available-for-sale' financial assets	5	188
Leases advanced	(4,118)	(1,127)
Leases repaid	1,702	1,344
Loans advanced	(15,875)	(2,514)
Loans advanced to related parties	-	(1,558)
Loans repaid	8,958	2,619
Loans repaid by related parties	300	285
Cash used in operations	(8,065)	(3,350)
Corporation tax	–	–
Net cash used in operating activities	(8,065)	(3,350)
Cash flow from investing activities		
Disposal of assets classified as held for sale, including part repayment of deferred consideration	2,216	-
Return of seed capital in legal case investments	94	-
Distribution of profits from related parties	39	-
Purchase of property, plant and equipment	(23)	(8)
Loss of control of subsidiary	-	(310)
Purchase of preference shares in subsidiary	(2,010)	-
Purchase of additional shares in related company	(193)	-
Net cash generated from/ (used in) investing activities	123	(318)

	31 March 2016 £'000	31 March 2015 £'000
Cash flow from financing activities		
Proceeds from issue of ordinary shares	4,499	-
Proceeds from the issue of preference shares by subsidiary	5,000	-
Loans drawn down	17,888	5,307
Repayment of loans	(16,863)	(3,503)
Interest paid	(1,306)	(698)
Net cash from financing activities	9,218	1,106
Net increase/ (decrease) in cash and cash equivalents	1,276	(2,562)
Cash and cash equivalents brought forward	1,221	3,783
Net cash and cash equivalents	2,497	1,221
Cash and cash equivalents	2,497	1,221
Bank overdraft	–	–
Net cash and cash equivalents	2,497	1,221
Operating, investing and financing activities are categorised as follows:		
Net cash used in operating activities		
Continuing operations	(8,065)	(3,398)
Discontinued operations	-	48
	(8,065)	(3,350)
Net cash from/ (used in) investing activities		
Continuing operations	123	(8)
Discontinued operations	-	(310)
	123	(318)
Net cash from financing activities		
Continuing operations	9,218	1,106
Discontinued operations	-	-
	9,218	1,106

Notes

1 Basis of preparation

1.1 Preliminary announcement
The financial information contained in this preliminary announcement does not constitute full accounts as defined in section 434 of the Companies Act 2006 and has been extracted from the statutory accounts for the year ended 31 March 2016. The auditors have issued an unqualified report on these statutory accounts. The statutory accounts for the year ended 31 March 2015 have been filed with the Registrar of Companies and the statutory accounts for the year ended 31 March 2016 will be filed with the Registrar of Companies in due course.

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

The same accounting and presentation policies were used in the preparation of the statutory accounts for the year ended 31 March 2015 except as stated below in sections 1.2 and 1.3.

1.2 Adoption of new standards and interpretations

The following amendments to existing standards became effective for the first time in the financial statements for the year ended 31 March 2016:

IFRS 8 – (Annual improvements) – Operating Segments; and

IFRS 13 – (Annual improvements) – Fair Value Measurement

Neither has a material effect on the disclosures or presentation of information in the financial statements.

1.3 Presentation changes

Discontinued operations

In December 2014 the Company sold its 51% equity investment in TFP Trading Company Limited ("TFP Trading") to its associate Trade Finance Partners Limited ("TFPL") for £9,947. At that date TFP Trading ceased to be a subsidiary of the Group and became an associate, as it was then wholly owned by TFPL. Under IFRS 5 TFP Trading was required to be classified as a "discontinued operation" in the consolidated financial statements. The results of TFP Trading for that year (up to the date when it ceased to be a subsidiary) were classified as discontinued operations and were shown separately in the consolidated income statement.

2 Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year less those held in treasury and in the Employee Benefit Trust. 426,996 shares were held by the Employee Benefit Trust at 31 March 2016 (2015: 426,996). The calculation of the basic and diluted earnings per share divides the loss by the weighted average number of shares of 27,284,000 (2015: 19,780,000).

3 Dividends

The directors do not recommend payment of a final dividend (2015: 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 platforms: lease and professions financing, trade financing, and legal case funding. The COLG segment includes the Group's central functions and an investment portfolio.

Pre-tax profit and loss

For the year ended 31 March 2016

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

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

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

Pre-tax profit and loss

For the year ended 31 March 2015

		Revenue £'000	Operating (loss)/profit £'000	Share of profits and losses of associates £'000	Finance expense £'000	Pre-tax (loss)/profit £'000
COLG	Investment portfolio	–	(138)		–	(138)
	Legal case investments	–	(411)		–	(411)
	Intra-Group	766	841		(122)	719
	Other	33	(1,063)	-	(276)	(1,339)
		799	(771)	-	(398)	(1,169)
Platforms	Trade financing – TFPL *	432	431	(110)	(431)	(110)
	Trade financing – other	585	3	–	-	3
	Lease and professions financing	1,371	503	83	(870)	(284)
	Legal case funding	55	5	–	(56)	(51)
	Other	–	33	–	–	33
	Intra-Group	(888)	(888)	–	888	–
		2,354	(684)	(27)	(867)	(1,578)
	Continuing operations	1,769	(687)	(27)	(867)	(1,581)
	Discontinued operations	585	3	–	–	3
		2,354	(684)	(27)	(867)	(1,578)

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

The Loss from operations in the Consolidated income statement of £711,000 is the sum of £684,000 and £27,000 shown above.

The revenue in Trade financing –other arose from one customer.

Consolidated Net Assets
For the year ended 31 March 2016

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

Consolidated Net Assets
For the year ended 31 March 2015

		£'000	Total £'000
COLG	'Available-for-sale' financial assets		177
	Legal case investments		232
	Assets classified as held for sale		3,388
Platforms	Trade financing	6,154	
	Lease and professions financing	2,480	
	Legal case funding	158	
	Other	150	
			8,942
	Net liabilities		(4,477)
Net assets per entity balance sheet			8,262
Other net liabilities of subsidiary companies			(3,891)
Consolidated net assets			4,371

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

5 Administrative expenses

	31 March 2016 £'000	31 March 2015 £'000
Staff costs		
Payroll	1,415	1,067
Other staff costs	69	37
Establishment costs		
Property costs	234	253
Other	444	277
Auditor's remuneration (see below)	89	126
Legal fees	17	24
Consultancy fees	98	165
Other professional fees	108	164
Depreciation	36	67
Amortisation	-	2
Foreign exchange (gain) / loss	2	(12)
Total	2,512	2,170
Total from continuing operations	2,512	2,159
Total from discontinued operations	-	11
Total administrative expenses	2,512	2,170

Auditor's remuneration	**31 March 2016 £'000**	**31 March 2015 £'000**
Fees payable to the Company's auditor for the audit of the parent company's annual financial statements	35	38
Fees payable to the Company's auditors for other services:		
The audit of subsidiaries pursuant to legislation	32	53
Audit related assurance services	2	12
Tax services	20	23
Total	89	126
Continuing operations	89	126
Discontinued operations	–	–
Total fees	89	126

6 Related party transactions and directors' remuneration

Directors' emoluments are disclosed in the directors' remuneration report. The aggregate emoluments paid to directors during the year were £332,535 (2015: £222,548) and there were no awards under the incentive scheme for 2015/16 (2015: nil). There are no other persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Accordingly, the aggregate amounts payable to directors equate to the aggregate compensation to key management personnel. As all directors' emoluments are paid by the Company, the figure relates both to the Company and the Group.

Tables that summarise the main related party balances and transactions for both the Company and the Group are included in the financial statements to 31 March 2016.

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

Executive directors

	John Kent		Howard Goodbourn	
	2016 £	2015 £	2016 £	2015 £
Salary	105,571	84,975	83,835	78,494
Payment in lieu of notice	–	–	41,358	–
Compensation for loss of office	–	–	30,000	–
All taxable benefits	2,244	2,129	2,167	1,950
Total	107,815	87,104	157,360	80,444

Non-Executive directors

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Paul Milner	27,500	27,500
Andrew Crossley (a)	12,360	–
Andrew Crowe	27,500	27,500

(a) The remuneration for A Crossley, who was appointed on 19 October 2015, was paid to Stockdale Securities Ltd.

Group related parties

The transactions of Group companies with related parties included:

Transactions of the Company

The Company purchased £2,000,000 of 7% preference shares in Credit Asset Management Limited at par for cash in November 2015 from Citymain Investments Limited, a related party of the Company.

	Charged by City of London Group plc in year £'000	Charged to City of London Group plc in year £'000	Loans due to City of London Group plc at year end £'000	Other amounts due to City of London Group plc at year end £'000	Provision for other amounts due to City of London Group plc at year end £'000
Year ended 31 March 2016					
Trade Finance Partners Limited	211	–	–	123	(123)
Year ended 31 March 2015					
Trade Finance Partners Limited	179	–	–	–	—
Therium Capital Management Limited	40	27	1,180	438	—

Transactions of other Group companies

	Interest charged by Group in year £'000	Loans due to Group at year end £'000	Provision for loans due to Group at year end £'000	Other amounts due to Group at year end £'000	Provision for other amounts due to Group at year end £'000
Year ended 31 March 2016					
Trade Finance Partners Limited	468	5,881	(5,881)	276	(276)
COLG SME Loans LP	105	1,500	-	26	-
COLG SME LP	204	2,750	-	48	-
Year ended 31 March 2015					
Trade Finance Partners Limited	432	5,429	-	260	-
Novitas Futures Limited	37	108	-	61	-
Novitas Loans Limited	6	-	-	-	-
COLG SME Loans LP	105	1,500	-	26	-
COLG SME LP	175	3,050	-	49	-

7 'Available-for-sale' assets

Securities	31 March 2016 £'000	31 March 2015 £'000
Listed		
Equity securities – UK	137	130
Equity securities – USA and Canada	1	3
Total listed	138	133
Unlisted securities		
Equity securities traded on inactive markets	13	44
Total unlisted	13	44
	151	177

8 Called-up share capital

Allotted, called up and fully paid	31 March 2016 £'000	31 March 2015 £'000
36,852,681 (2015: 20,206,617) ordinary shares of £0.10	3,685	2,021

The Company did not hold any shares in treasury at 31 March 2016 (2015: nil). 426,996 shares were held by the Employee Benefit Trust at 31 March 2016 (2015: 426,996). The Company did not purchase any shares from the Trust during the year (2015: nil).

On 19 October 2015, the Company issued 16,646,064 new ordinary shares of 10p each for cash by way of a placing. Costs of £494,567 were incurred in relation to the issue of these shares, which have been offset against the Company's share premium.

9 Corporation tax

	31 March 2016 £'000	31 March 2015 £'000
UK corporation tax		
Current year charge	–	–
Total for continuing operations	–	–
Total for discontinued operations	–	–
Total UK corporation tax	–	–
Deferred tax		
Total for continuing operations	–	–
Total for discontinued operations	–	–
Total tax (credit) / charge	–	–

Factors affecting the tax charge for the year

The tax charge for the year differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK, which is 20% (2015: 21%). The differences are explained below.

Tax reconciliation	31 March 2016 £'000	31 March 2015 £'000
Loss before tax	(6,764)	(1,578)
At standard rate of corporation tax in the UK:	(1,353)	(331)
Effects of		
Depreciation (less than)/ in excess of capital allowances	(1)	6
Items not deductible for tax purposes	1,273	41
Non-taxed dividend income	(1)	(1)
Movement on unrecorded deferred tax asset	82	285
	–	–

Deferred tax

Total unrecognised deferred tax assets of the Group were £2,330,000 (2015: £1,709,000).

10 Financial instruments – price risk

The Group is subject to price risk on its 'available-for-sale' financial assets, including its legal case investments as well as its portfolio of financial assets. There is a concentration risk in the natural resources and technology sectors as the majority of the investment portfolio of £151,000 is invested in these sectors. At 31 March 2016, 9% of the Group's portfolio was invested in unlisted equity securities. There is no material sensitivity on the valuation of the 'available-for-sale' financial assets and the legal case investments.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of listed financial assets is established by reference to current bid market prices.

The fair value of unlisted investments is determined using appropriate valuation techniques.

The fair value of investments in legal funds is taken to be cost as at the balance sheet date there was not a sufficient track record on which to base a valuation. Due to their short maturity profiles, management is of the opinion that there is no material difference between the fair value and carrying value of trade and other receivables, cash and cash equivalents, and trade and other payables. The directors therefore consider that the carrying value of financial instruments equates to fair value.

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

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

The following table presents the Group's assets that are measured at fair value at 31 March 2015:

	Level 1 £'000	Level 3 £'000	Total £'000
'Available-for-sale' financial assets			
Equity securities	133	44	177
Legal case investments	–	232	232
	133	276	409

Level 1 assets are quoted ordinary shares. There are no level 2 assets.

There were no transfers of assets between categories during the year (2015 – 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:

	2016 £'000	2015 £'000
Balance at 1 April	276	720
Additions	–	11
Impairment	(29)	(411)
Disposals	(96)	(44)
Balance at 31 March	151	276

11 Risk statement

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

(i) Credit risk

Credit risk particularly arises in CAML. This is mitigated in a number of different ways. For the leasing business the exposure is reduced by ownership of the asset which can usually be resold. In the case of professional loans, personal guarantees are obtained wherever possible but in any event the professional reputation of the partners of the firm is at stake. In all cases there is a well-defined process for approval including credit committees with specific delegated powers.

(ii) 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.

(iii) Legal and regulatory risk

This risk arises in various ways but the risk of non-compliance with FCA regulations is considered low as limited business falling within this environment is undertaken. City of London Financial Services Limited, which wound down its activities during the year, now undertakes only the activity of 'Operator' to CAML limited partnerships, generating income of a few thousand pounds. It is ranked in the lowest risk category by the FCA. CAML has interim permission under the FCA consumer credit regulation and expects to receive full permission before the end of September 2016. The risk of non-compliance is considered low as the regulated activities represent only a minor part of its overall business. CAML lends only to businesses and is regulated for those businesses that fall within the Consumer Credit Act.

The risk of other legal and regulatory non-compliance (including non-compliance with the AIM rules) is mitigated by the use of external advisers.

(iv) Cash flow

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

(v) 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 platforms finding it difficult to invest at the planned yields. This risk is mitigated by specialist expertise and by increased sales and marketing activity. In the case of the leasing and loans business the speed of credit decisions and the quality of operations is a key differentiator.

(vi) Business continuity

This is the risk that the business premises are unavailable due to fire or other disasters or of failure of IT systems. The consequential risk is the loss of key documentation and the inability to enter the business premises. This is mitigated by the ability of staff to work remotely from home and a disaster recovery plan. Key documents are held electronically and also separately with our lawyers. IT systems and data are backed up remotely and can be restored within acceptable timescales.

(vii) People/ succession

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

12 Post balance sheet events

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

Statement of directors' responsibilities

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

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

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

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

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

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

By order of the Board

Paul Milner
Chairman
23 September 2016

Annual General Meeting and General Meeting

The 2016 annual general meeting will be held at 9am on Friday 30 September 2016 at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR. The notice of meeting and proxy forms were sent to shareholders in 2 September 2016.

A general meeting to receive the accounts for the year ended 31 March 2016 and reappoint the auditors will be held at 10.00 am on Friday 21 October 2016 at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR. The notice of meeting and proxy forms for the general meeting will be included in the Annual Report which will be posted to shareholders on 28 September 2016.