City of London Group plc

Annual report and accounts 2016

City of London Group plc

City of London Group plc (“COLG” or “the Company”) 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.

Key points

Business developments

- Litigation funding associate, Therium sold in April 2015 for a profit of £1.4m
- 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, 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)

Reports

Pages 2 to 9 comprise the Strategic report, pages 14 to 16 the Directors' Remuneration report and pages 17 to 19 the Directors' report, all of which are presented in accordance with English company law. The liabilities of directors in connection with these reports shall be subject to the limitations and restrictions provided by such law. These reports are intended to provide information to shareholders and are not designed to be relied upon by any other party or for any other purpose.

Strategic report

1. 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 Trade Finance Partners Limited ("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.

Trade Finance Partners Limited ("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.

Credit Asset Management Limited ("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.

Strategic report continued

2. Description of business activities

The Company is a closed-ended investment company and is listed on AIM (LON:CIN). The Company's investments are companies in financial services sectors where major national and foreign banks have limited new lending to these borrowers.

During the year, the Company's investee companies operated two product 'platforms' namely Trade Finance Partners Limited (TFPL) – a trade finance provider to the SME market, and Credit Asset Management Limited (CAML), and its subsidiary Professions Funding Limited (PFL) which provide asset backed finance to SME's and loans to professional practice firms. TFPL is no longer undertaking new business but is in the process of recovering its advances.

3. Business model

As in the past, the business model of the Group has had to evolve to reflect the availability of capital, changes in market conditions, and success of the investments seeded through COLG, the holding company of the Group. The model of COLG providing capital to new or early stage product 'platforms' will continue. However there are no plans for investments into new platforms or for further investment into the current platform. Instead, in the short term, there is a shift into the recovery of COLG's initial equity and unsecured loan investments. This change to a recovery focused model is primarily due to the significant impairment in the investments in TFPL and the continued constraint on capital for CAML which is hindering the business from achieving growth.

Any recoveries to COLG on its investments are likely to be through interest on its loan notes held in the platforms and/or returns from equity.

4. Strategy

The Company's current strategy is to focus on maximising recoveries from its investee companies to deliver value to the Group. Due to this focus there is no plan to invest into any new platforms in the short term. The wider strategy for the remaining platform CAML is to help achieve scale for the business through seeking further investment or a sale of the business to create value to the Group.

5. Financial review

The table below shows a breakdown of the Group results:

Loss before tax	2016 £000	2015 £000
Holding company (2016 – excluding TFPL impairment and Therium related charges)	(452)	(1,169)
Provision for Impairment of the investment in and amounts owed by TFPL	(6,260)	–
Profit on disposal of Therium	1,398	–
Trade finance	(940)	(107)
Lease and professions financing	(541)	(284)
Other	31	(18)
	(6,764)	(1,578)

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

	31 March 2016	31 March 2015
Loss before tax	£(6,764)k	£(1,578)k
Consolidated net assets per share (attributable to owners of the parent)	6p	28p

Holding company review

The key performance indicators for the holding company are underlying profit before tax and Company net assets per share as follows:

	31 March 2016	31 March 2015
Loss before tax	£(10,674)k	£(1,169)k
Net assets per share	6p	42p

The increased loss in 2016 arises largely from the impairment of the Group's investment in TFPL which resulted in provisions of £7,221k being made in the Company's own accounts and the impairment of the Company's investment in CAML which resulted in further provisions of £2,830k. There was a further reduction in operating costs from £1,287k to £1,070k and lower finance charges as a result of the repayment of borrowings during the year. This was partially offset by lower income from CAML and PFL as a result of the capital restructuring in July (reduction of £130k).

The net assets per share have reduced as a result of the losses referred to above.

There was a small loss on the residual natural resources investment portfolio and the value of the portfolio at the year-end was £151k.

The Company had legal case investments in two Therium LLPs of £138k at the year end.

Strategic report continued

6. Review of the Lease & professions financing platform

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

(a) Description of the business and business model

CAML is a business to business provider of lease finance to SME’s. In addition it provides management services to two third-party funds and to its subsidiary PFL for the origination, underwriting, booking and portfolio management of leases to SME’s and loans to professional businesses such as lawyers, accountants, doctors and dentists. During the year, it expanded its loan book to professions to include commercial loans, as well as lease products. CAML sources business for both disciplines through a national network of finance intermediaries.

Following a capital restructuring in July 2015, COLG increased its equity interest in CAML from 51% to 85% and PFL became a wholly-owned subsidiary of CAML.

(b) Financial review

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

£000	**31 March 2016**	**31 March 2015**
Revenue	1,820	1,019
Operating loss before shareholder capital charges	(217)	(70)
Loss before tax	(541)	(334)

CAML’s results show an increased loss before tax of £0.5m (2015: loss £0.3m). The largest factor in the increased loss was the movement in the bad debt impairment charge from a credit of £56k in the previous year to a charge of £280k, which includes a collective provision for impairment. The credit in the previous year reflected the release of a provision for bad debts following a number of recoveries.

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

Following the capital restructuring in July 2015 when £5m 7% preference shares were issued for cash, CAML was able to capitalise on its increased capital base. The book size financed by block funders increased significantly from £3.8m to £13.7m at the year end, causing a large rise in gross income.

Managed funds reduced from £12.3m to £7.6m which reflected CAML acquiring one fund and CAML’s focus on building its own book. Overall, the portfolio of owned and managed funds increased from £16.2m to £21.3m, an increase of 31%.

In March 2016, CAML stopped writing any business into its main third-party fund as the fund entered into its amortisation phase.

With the increase in the portfolio during the year, staff costs increased to cope with the larger portfolio and CAML’s ambition to continue its growth. Head count increased from 9 to 17 at the year end. Despite increased competition, yields remained steady during the period. CAML has expanded its loan book to professions to include commercial loans, as well as lease products.

Subsequent to the year end, as a result of capital constraints, CAML has scaled back its activities and reduced its cost base. New business volumes have been constrained to the currently available funding levels.

Other

The results from other investments show a profit of £31k (2015: loss of £18k). The results include the profit from the regulated subsidiary, City of London Financial Services Ltd. The loss in 2015 included the profit from City of London Financial Services Ltd, offset by a receivable impairment provision.

7. Risk management

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

Credit risk

Credit risk particularly arises in CAML. 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.

Interest rate risk

Where lending is longer term as in professional lending or leasing then borrowing rates are fixed at the start to avoid interest rate exposure. Group borrowing is all at fixed rates.

Legal and regulatory risk

This risk arises in various ways but the risk of non-compliance with FCA regulations is considered low as limited business falling within this environment is undertaken. City of London Financial Services Limited, which 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.

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.

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 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.

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.

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.

Strategic report continued

8. Going concern

The directors have reviewed in detail the monthly cash flow forecast for the period to 31 March 2018.

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

COLG

As at the end of March 2018 there is forecast to be available working capital headroom of c£0.22m comprising cash. The debt facilities of the Company currently comprise:

(i) £4.4m loan facility of which £0.9m was drawn at the end of August 2016. This facility expires on 30 September 2017; and

(ii) loan from City of London SME Leasing Ltd of £1.45m.

The key assumptions around the cash flow are that the Company will be able to repay all amounts drawn under its current debt facilities by May 2017 from funds received on repayment of existing loans, including receipt of the balance of the deferred consideration for Therium, and funds from the realisation in full or part of its interest in CAML.

Other key assumptions include the disposal of the remaining share portfolio at a 20% discount to current prices. The legal case investments held by the Company of £138k are assumed to be repaid at book value during the period.

It is assumed there will be no recovery of amounts invested in TFPL during the period.

CAML/PFL

It is assumed that a realisation of all or part of the Company's interest in CAML will be achieved in the latter part of the year and that the Company will not be required to provide any further working capital to CAML.

Risk factors

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

- The realisation of all or part of the Company's interest in CAML is not achieved.
- The non-repayment of loans outstanding and the direct legal investments.
- The inability to dispose of the share portfolio at the assumed prices. A number of the shares are traded on illiquid markets and cannot be sold quickly without affecting the price. A discount of 20% has been assumed.

Conclusion

After consideration of the above cash flow risk factors and the projected available surplus of c£0.22m in March 2018 together with possible mitigations, including the realisation of CAML's existing lease and loan books, the directors are satisfied that the Company has and will maintain sufficient financial resources to enable it to continue operating for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and accounts.

9. Corporate responsibility

Environment

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

Health and Safety

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

Directors and employees

The Company has two male directors. The Group has three male senior managers (who are directors of companies included in the consolidated accounts).

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

10. Preparation of Strategic report

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

Signed on behalf of the Board

Paul Milner

Director

23 September 2016

Directors' biographies

Paul Milner – Chairman Non-executive (non-independent)

Paul was appointed to the Board in November 2013 and became chairman in October 2015. Since July 2013 he has been chief executive of a privately owned group of property companies associated with the Company's principal creditor. Paul qualified as a solicitor in 1986 but has spent most of his career in the property, construction and private finance industries. In recent years he has played key roles in raising senior debt and equity finance for infrastructure projects. From 2005 to 2012 he worked in central government leading a commercial team tasked with delivery of infrastructure programmes and projects. From 2012 to June 2013 he was with UPP Group Ltd where he played a key role in the successful bond refinancing of a number of student accommodation projects.

Andrew Crossley – Non-executive (independent)

Andy was appointed to the Board in October 2015 as the Senior Independent Director. Andy is currently the Managing Director of Stockdale Securities Ltd (previously Westhouse Securities Ltd) having left Peel Hunt LLP in 2015, where he spent four years as Head of Corporate Sales and subsequently Head of ECM/Syndicate. At Peel Hunt LLP Andy had both a financial advisory and execution role and sat at the interface between corporate clients and investing institutions. Prior to his move to the sell side Andy spent 24 years, principally at Invesco Perpetual, as one of the UK's best known UK small cap fund managers. Andy currently sits on the AIM Advisory Group and brings a wealth of corporate governance and capital markets expertise to the Company.

Corporate governance statement

Introduction

The directors recognise the importance of sound corporate governance, while taking into account the Company's size and stage of development. As the Company is listed on the Alternative Investment Market, it is not required to follow the provisions of any governance code. However the Board of Directors believes the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council to be a suitable benchmark for the Company and has considered this when determining its governance arrangements.

This report describes how the Company has applied relevant provisions of the Code.

Main principles

The Company has followed particular principles of the Code as set out below:

Leadership

The Board is currently comprised of two directors, both of whom are non-executive and one of whom is independent. The Board is chaired by Paul Milner. Andy Crossley is the Senior Independent Director with whom shareholders may raise concerns if their normal communication channels with the Company are not appropriate. The Company has not complied with the Code provision that companies should have at least two independent non-executive directors.

The directors have a duty to promote the success of the Company and to this end the Board has clearly defined responsibilities set out in a formal schedule of matters reserved to it which includes setting the Company's strategy; approving any major changes to the Group's structure or share capital; approving the annual report and accounts and shareholder communications; ensuring a sound system of internal controls and risk management; approving major contracts; determining the remuneration policy (on the recommendation of the remuneration committee); and making appointments to the Board and other offices.

Details of board committees are given below. Following the changes to the board composition since the year end, the role of the board committees will be kept under review.

Effectiveness

The directors

Biographical details of the directors are set out on page 10. The directors have a broad range of skills and experience and receive updates on relevant legal and regulatory changes.

The directors will retire and stand for re-election at the AGM. The non-executive directors have letters of appointment, which are not service contracts and which can be made available on request. The Board confirms that each of the directors to be proposed for re-election at the AGM continues to demonstrate the necessary commitment and to be a fully effective member of the Board.

Board procedures

The Board meets at least 8 times each year as well as at other times when required. Prior to each scheduled meeting, comprehensive papers, which include regular business updates and management accounts, are prepared and issued. Discussion papers are circulated in advance of the need for Board approval of particular transactions to allow sufficient time for considered debate and decision. All significant decisions are taken at Board level.

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

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

Audit and risk committee report

During the financial year Andrew Crowe, Andrew Crossley and Paul Milner were members of the committee. The committee was chaired by Andrew Crowe, who had recent and relevant financial experience. The current members of the committee are Andrew Crossley (chair) and Paul Milner.

Financial results

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

- Going concern, where there are risk factors around the cash flow forecasts and the Group has taken action to preserve liquidity and finance.
- Recognition of revenue (interest income), where there is a risk that revenue may be overstated. Testing confirmed income had been recognised in the correct accounting period.
- Impairment of carrying value in subsidiaries and associates, including equity and loans provided, which would reduce the net asset value of the Company and Group. The review

Corporate governance statement continued

of future projections and cash flow forecasts concluded that full provision for impairment was required in relation to the carrying value of the investment, including loans, in TFPL. It was also concluded the Company should make provisions to reflect the impairment of its overall investment in CAML.

The Board was challenged on how the above risks are addressed. These were also discussed with the auditors at the audit and risk committee.

External auditors

The committee considered the scope and findings of the external audit as well as the independence and objectivity of the external auditors. The committee has agreed the policy for the provision of non-audit services by the auditors. The committee does not regard the non-audit fees, compared to the audit fees, as being at a level that could influence the auditors' objectivity. The split between audit and non-audit fees for the year under review appears in note 6 on page 41.

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

Internal audit

The audit and risk committee, having reviewed the need for internal audit, agreed that it was not appropriate for a business of the Company's size to have an internal audit function.

Board review of internal controls and risk management

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

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

The key controls are:

- Clearly defined organisational responsibilities and limits of authority.
- Established procedures for authorisation of capital expenditure and investment of cash resources.
- Production of monthly management accounts which are compared to budget together with a review of detailed KPIs and explanation of key variances.
- COLG directors attend the monthly board meetings of CAML/PFL and review its management accounts.
- Regular audit reports commissioned by third party lenders to CAML.
- Monthly bank and key control account reconciliations.
- Payment authorisation controls.
- The maintenance of a detailed risk register which includes analysis of all of the key risks facing the Group. This is reviewed by both the audit and risk committee and the full Board.

The respective responsibilities of the directors and the auditors in connection with the financial statements are explained on pages 61 and 62. The directors' statement on going concern is on page 8.

Remuneration committee

The role, composition and activities of the remuneration committee and details of how the Company applies the principles of the Code in respect of directors' remuneration are set out in the Directors' Remuneration report on pages 14 to 16.

No director is involved in discussions or decisions on their own remuneration. The remuneration committee, which determines the remuneration packages of the executive directors, was made up of Andrew Crowe, Andrew Crossley and Paul Milner. The current members of the committee are Paul Milner (chair) and Andrew Crossley.

The remuneration of the non-executive directors is determined by the Board. Non-executive directors abstain from discussions or voting concerning their own remuneration. A statement of the Company's remuneration policy together with details of directors' remuneration appears in the Directors' Remuneration report.

Due to the changing circumstances of the Group, the remuneration committee did not meet during the year.

Nominations committee

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

Attendance at meetings

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

	Board		Audit & Risk committee	
	Attended	Eligible to attend	Attended	Eligible to attend
A Crowe	18	20	3	3
H Goodbourn	19	19	–	–
J Kent	20	20	–	–
P Milner	19	20	3	3
A J Crossley	9	11	1	1

Relations with Shareholders

The annual report is sent to all shareholders and, on request, to other parties who have an interest in the Group's performance. The Company endeavours to send the notice of AGM and supporting papers to shareholders at least 20 working days before the meeting and responds promptly to any enquiries received from shareholders. All shareholders have the opportunity to put forward questions at the Company's AGM. Dialogue is maintained with major investors and their views are communicated to the Board.

Compliance with the Code provisions

As the Company is now listed on AIM, there is no requirement for compliance with the Code, however, the Board seeks to comply with the Code as far as practicable. This will be kept under review.

L E Young

Company Secretary

23 September 2016

Directors' Remuneration report

Annual Report on Remuneration

Remuneration committee

The remuneration committee was responsible for developing the policy on remuneration for executive directors and senior management and for determining specific remuneration packages for each of the executive directors. The committee members during the year were Andrew Crowe (Committee Chairman), Andrew Crossley and Paul Milner. The remuneration committee is formally constituted with written terms of reference which set out its full remit. A copy of the terms of reference is available on the Company's website www.cityoflondongroup.com. The remuneration committee did not meet during the year due to the changing circumstances in the Group.

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

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

The committee did not use remuneration advisers during the year.

No awards were made to executive directors under the deferred incentive plan during the year. For part of the year, the executive directors were on part time contracts.

Remuneration policy overview

The remuneration committee has adopted a remuneration policy so that total levels of compensation encourage and reward high performance to ensure the Company meets its objectives. It is the opinion of the remuneration committee that shareholders' interests are best served by focusing a greater proportion of total remuneration on performance-related compensation.

Short and long-term incentives are structured so as to align directors' interests with those of shareholders by rewarding them for enhancing shareholder value, over a benchmark return for shareholders.

Remuneration of Executive Directors

Elements of remuneration

During the year, the executive directors' total remuneration consisted of base salary. There were no awards under the bonus plan and previous awards under the deferred incentive plan are considered to have no value.

Base salary

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

Annual performance-related bonus

An annual bonus plan was introduced during 2013. The plan allows for a maximum potential of 75% of base salary and performance criteria based on the delivery of financial and non-financial performance criteria including the growth of the platforms in terms of revenue, earnings and customers, development of the management team and succession planning. The plan did not operate during the year.

Deferred incentive plan

This plan was adopted in February 2010 and amendments to it were approved at the AGM in 2013. It is used to provide cash and equity incentives over ordinary shares of 10 pence each in the capital of the Company. The terms of the scheme were disclosed in the financial statements for the year to 31 March 2015.

No awards have vested during the current year since none of the performance targets have been met.

For each of the financial years ended 31 March 2016 and 31 March 2015 there was no available bonus pool as neither TSR nor NAV grew by more than 8% per annum over the previous year.

Amended deferred incentive plan

The terms of this scheme were disclosed in the financial statements for the year to 31 March 2015. No awards have vested during the period.

Share option schemes

Fixed price options

Fixed price options have been awarded to executive directors and senior managers. Details of awards to directors are given in the table on page 16.

Single total figure of remuneration for each director

Directors' remuneration as a single figure for years ended 31 March 2015 and 2016.

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.

Statement of directors' share interests

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

	At 1 April 2015 or date of appointment if later	**At 31 March 2016**
A Crossley[(a)]	–	–
A Crowe[(b)]	1,603,030	1,603,030
J Kent	261,775	261,775
P Milner	95,188	95,188

(a) A Crossley was appointed a director on 19 October 2015.
(b) A Crowe who is the executor of the estate of John Greenhalgh, which had interests in 1,636,575 shares at 1 April 2015 and 1,963,033 shares at 31 March 2016, also has a 10% beneficial interest in the shares held by the estate.

Shares held by EBT

426,996 shares were held by the Employee Benefit Trust at 31 March 2016 (2015: 426,996).

Directors' Remuneration report continued

Share options

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

	Date of Grant	At 01/04/2015	Granted in year	Exercised in year	At 31/03/2016 or date of resignation	Exercisable from	Exercisable to	Exercise price
H Goodbourn	30/11/2011	143,267	–	–	143,267	30/11/2014	30/11/2021	69.8p
J Kent	11/02/2010	70,000	–	–	70,000	11/11/2012	11/11/2019	55.8p

The market price of the Company's ordinary shares on 31 March 2016 was 7.50p (2015: 25.75p) and the average price for the year was 23.9p. During the year the highest price reached was 28.5p and the lowest was 7.25p.

Service contracts

Details of executive directors' service contracts are shown below.

Director	Date of contract	Unexpired term	Notice period	Compensation payable on early termination
H Goodbourn	October 2011	12 months rolling	6 months	contractual
J Granite	July 2016	1 month rolling	1 month	contractual
J Kent	December 2010	12 months rolling	6 months	contractual

All these service contracts have now ended.

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

Director	Date of letter of appointment	Unexpired term	Notice period	Compensation payable on early termination
A Crossley	August 2015	28 months	1 month	None
A Crowe[(a)]	December 2013	9 months	1 month	None
P Milner	December 2013	See note below	1 month	None

(a) The letter of appointment for A Crowe terminated on his resignation as a director on 17 August 2016.

Paul Milner's appointment is expected to continue until the repayment of certain loans made to the Company.

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

Paul Milner
Chairman of remuneration committee
23 September 2016

Directors' report

This is the Directors' report for the year to 31 March 2016.

Results and dividends

The results for the Group are set out on page 20. No dividends were declared during the year (2015: nil).

Events since the year end

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

Future developments in the business

Information on future developments is included in the Strategic report.

Financial risk

Financial risk management objectives and policies and relevant risk disclosures are set out in Note 32.

Investment policy

The Company is an investment company. Since 2009 the focus has been on establishing specialist businesses targeting the professional services and SME sectors. The Board believes there are particular opportunities in these sectors.

Directors and their interests

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

A J Crossley (appointed 19 October 2015)
A J Crowe
H C Goodbourn (resigned 18 March 2016)
J C W Kent
P G Milner

The following changes occurred after the year end:

J C W Kent resigned on 30 April 2016.

J P Granite was appointed on 18 April 2016 and resigned on 22 August 2016.

A J Crowe resigned on 17 August 2016.

A J Crossley resigned on 17 August 2016 and was reappointed on 23 August 2016.

Biographical details of the current directors are given on page 10.

Directors' interests in the shares of the Company are shown in the Directors' Remuneration report on page 15.

Share capital

On 19 October 2015, 16,646,064 new ordinary shares of 10p each were issued by way of a placing. The issued share capital of the Company at the beginning of the financial year was 20,206,617 ordinary shares of 10p each and at the end of the financial year was 36,852,681 ordinary shares of 10p each.

Directors' report continued

Major interests in ordinary shares

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

	Number of ordinary shares at 23 September 2016	%
Cain Hoy Enterprises, LLC	5,866,946	15.9
Helium Special Situations Fund	5,779,428	15.7
Tania Bard	2,190,514	5.9
Alexander Bard	2,134,014	5.8
John Greenhalgh's estate[(a)]	1,963,033	5.3
Sarah Bard	1,704,356	4.6
Rebecca Bard	1,684,356	4.6
A Crowe	1,603,030	4.3
AXA IM UK	1,506,024	4.1
Galliard Holdings Limited	1,466.737	4.0
The BL & RB Foundation	1,325,000	4.0
Jupiter Asset Management	1,204,819	3.3

(a) Andrew Crowe is the executor of John Greenhalgh's estate and has a 10% beneficial interest in the shares held by the estate.

Directors' indemnities and insurance

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

Statement of directors' responsibilities

A statement of directors' responsibilities is set out on page 61 of this annual report and is incorporated into the Directors' report by reference.

Financial instruments

Details of the financial instruments to which the Group is a party are included in note 31 to the financial statements.

Audit information

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

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

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

Auditors

BDO LLP have indicated their willingness to continue in office and a resolution proposing their reappointment as auditors will be put to members at the general meeting to be held on 21 October 2016.

Annual General Meeting

This year's annual general meeting will be held at 9.00 am on 30 September 2016 at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR. Notice of the meeting and details of the business to be transacted at the annual general meeting have been sent to shareholders. A separate general meeting will be held at 10.00 am on 21 October 2016 at the offices of Shakespeare Martineau, to receive the accounts and reappoint the auditors. The notice of meeting is set out on pages 63 and 64 of this document and a form of proxy is on page 65.

Voting

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

By order of the Board

L E Young

Company Secretary

23 September 2016

Consolidated income statement

for the year ended 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000	
			Continuing operations	Discontinued operations*
Revenue	4	2,534	1,769	585
Cost of sales	4	(51)	(64)	(571)
Gross profit		2,483	1,705	14
Administrative expenses	6	(2,512)	(2,159)	(11)
Profit/(loss) on sale of investments	7	2	(39)	–
Provision for impairment of investments	7	(51)	(99)	–
Loss on legal case investments	7	–	(411)	–
Profit on the disposal of assets classified as held for sale	17	1,398	–	–
Share of profits and losses of associates	17	(898)	(27)	–
Provision for impairment of the investment in and amounts owed by TFPL	17	(6,260)	–	–
Other income	8	326	316	–
(Loss)/profit from operations		(5,512)	(714)	3
Finance expense	10	(1,252)	(867)	–
(Loss)/profit before tax		(6,764)	(1,581)	3
Corporation tax	11	–	–	–
(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	13	(24.36)p	(7.17)p	
Discontinued operations	13	–	0.01p	
Total	13	(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					Attributable to	
	Fair value reserve £'000	Accumulated losses £'000	Share premium £'000	Share capital £'000	Total £'000	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 (note 26)	–	–	–	–	–	(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	4,519	–	4,519
Reduction in non-controlling interests (note 26)	–	(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.

Company statement of changes in equity

	Fair value reserve £'000	Accumulated losses £'000	Share premium £'000	Share capital £'000	Total £'000
At 31 March 2014	(193)	(4,022)	11,497	2,021	9,303
'Available-for-sale' investments					
– Valuation gains/(losses) taken to equity	(57)	–	–	–	(57)
– Transferred to provision for impairment	90	–	–	–	90
– Transferred to profit or loss on sale	55	–	–	–	55
Net income recognised directly in equity	88	–	–	–	88
Loss for the year	–	(1,169)	–	–	(1,169)
Total income and expense for the year	88	(1,169)	–	–	(1,081)
Value of employee services	–	40	–	–	40
At 31 March 2015	(105)	(5,151)	11,497	2,021	8,262
'Available-for-sale' investments					
– Valuation gains/(losses) taken to equity	(20)	–	–	–	(20)
– Transferred to provision for impairment	51	–	–	–	51
– Transferred to profit or loss on sale	(2)	–	–	–	(2)
Net income recognised directly in equity	29	–	–	–	29
Loss for the year	–	(10,674)	–	–	(10,674)
Total income and expense for the year	29	(10,674)	–	–	(10,645)
Contributions by and distributions to owners					
Value of employee services	–	20	–	–	20
Issue of shares	–	–	2,835	1,664	4,499
Total contributions by and distributions to owners	–	20	2,835	1,664	4,519
At 31 March 2016	(76)	(15,805)	14,332	3,685	2,136

Consolidated balance sheet
as at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
Assets			
Non-current assets			
Intangible assets	14	–	46
Property, plant and equipment	15	27	40
'Available-for-sale' financial assets	16	151	177
Interests in associates	17	146	890
Legal case investments	18	138	232
Loans	19	9,005	10,613
Finance leases	19	2,477	970
Total non-current assets		11,944	12,968
Current assets			
Loans	19	5,446	1,656
Finance leases	19	1,635	676
Trade and other receivables	20	810	903
Cash and cash equivalents	21	2,497	1,221
		10,388	4,456
Assets classified as held for sale	17	–	1,831
Total current assets		10,388	6,287
Total assets		22,332	19,255
Current liabilities			
Borrowings	22	(3,935)	(1,688)
Trade and other payables	22	(3,051)	(1,737)
Total current liabilities		(6,986)	(3,425)
Non-current liabilities			
Borrowings	23	(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	25	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	26	(100)	(1,154)
Total equity		2,109	4,371

The notes on pages 30 to 60 are an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 23 September 2016.

They were signed on its behalf by

Paul Milner
Director

Company balance sheet
as at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	9	38
'Available-for-sale' financial assets	16	151	177
Investment in subsidiary companies	17	2,160	3,117
Legal case investments	18	138	232
Loans	19	1,274	100
Total non-current assets		3,732	3,664
Current assets			
Loans	19	32	160
Trade and other receivables	20	529	7,375
Cash and cash equivalents	21	226	190
		787	7,725
Assets classified as held for sale	17	–	3,388
Total current assets		787	11,113
Total assets		4,519	14,777
Current liabilities			
Trade and other payables	22	(1,995)	(2,171)
Total current liabilities		(1,995)	(2,171)
Non-current liabilities			
Borrowings	23	(388)	(4,344)
Total non-current liabilities		(388)	(4,344)
Total liabilities		(2,383)	(6,515)
Net assets		2,136	8,262
Equity			
Share capital	25	3,685	2,021
Share premium		14,332	11,497
Accumulated losses		(15,805)	(5,151)
Fair value reserve		(76)	(105)
Total equity		2,136	8,262

The notes on pages 30 to 60 are an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 23 September 2016.

They were signed on its behalf by

Paul Milner
Director

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)

	31 March 2016 £'000	31 March 2015 £'000
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)
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

Company 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	(10,674)	(1,169)
Adjustments for:		
Depreciation	30	64
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	–	(8)
Loss on legal case investments	–	411
Loss on disposal of fixed assets	–	1
Provision for losses in subsidiaries	7,096	–
Impairment of investments in subsidiaries	2,967	–
Provision for amounts owed by related parties	82	16
Interest payable	296	398
Changes in working capital:		
Increase in trade and other receivables	(251)	(735)
Increase/(decrease) in trade and other payables	96	(317)
Purchase of non-current investments	–	(14)
Proceeds from sale of 'available-for-sale' investments	5	188
Loans advanced to related parties	–	(270)
Loans repaid by related parties	–	472
Net cash used in operating activities	(284)	(776)

	31 March 2016 £'000	31 March 2015 £'000
Cash flow from investing activities		
Disposal of assets classified as held for sale, including part repayment of deferred consideration	2,216	–
Loan repaid by third party	50	–
Return of seed investment in legal case investments	94	–
Disposal of subsidiary	–	10
Purchase of preference shares in subsidiary	(2,010)	–
Purchase of property, plant and equipment	(1)	(6)
Net cash generated from investing activities	349	4
Cash flow from financing activities		
Loans drawn down	400	2,094
Proceeds from issue of ordinary shares	4,499	–
Loans and notes repaid	(4,356)	(1,375)
Interest paid	(572)	(198)
Net cash (used in)/generated from financing activities	(29)	521
Net increase/(decrease) in cash and cash equivalents	36	(251)
Cash and cash equivalents brought forward	190	441
Net cash and cash equivalents	226	190
Cash and cash equivalents	226	190
Bank overdraft	–	–
Net cash and cash equivalents	226	190

Notes to the financial statements

1 General information

City of London Group plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is 30 Cannon Street, London, EC4M 6XH. The Company is listed on AIM.

City of London Group plc is a closed-ended investment company with a number of investments in the financial services sector and a portfolio of 'available-for-sale' investments. Details of the activities of the Group are given in the Strategic report.

These consolidated and separate financial statements have been approved for issue by the Board of directors on 23 September 2016.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated and separate financial statements of City of London Group plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of 'available-for-sale' financial assets (including legal case investments). These financial assets and instruments are carried at fair value except where it is not possible to determine a reliable fair value in which case they are carried at cost.

These consolidated and separate financial statements have been prepared in accordance with and in compliance with the Companies Act 2006. The Company has taken advantage of section 408 of the Companies Act 2006, and the Statement of Income and the Statement of Comprehensive Income of the parent company is not presented. The parent company's loss after tax for the financial year amounts to £10,674,000 (2015: loss £1,169,000).

The directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. The Group's going concern position is further discussed in the Strategic report on page 8.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective. The standards are effective for annual periods beginning on or after 1 January 2016 unless otherwise stated, with early adoption permitted in all cases.

IFRS 5 – (Annual improvements) – Non-current Assets held for Sale and Discontinued Operations.

IFRS 9 – Financial Instruments – The standard is effective for accounting periods beginning on or after 1 January 2018.

IFRS 15 – Revenue – The standard is effective for accounting periods beginning on or after 1 January 2018.

IFRS 16 – Leases – The standard is effective for accounting periods beginning on or after 1 January 2019.

The Group will assess the impact of IFRS 9 and IFRS 16 on these financial statements in subsequent years. It considers that the other annual improvements, amendments and revised standards will not have a material impact on the disclosures and presentation of information in the financial statements.

2.2 Adoption of new standards and interpretations

The following amendments to existing standards became effective for the first time in these financial statements:

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.

2.3 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.

2.4 Consolidation

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

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Group considers all relevant facts and circumstances, including the size of the Group's voting rights relative to both the size and dispersion of other parties who hold voting rights, substantive potential voting rights held by the Group and by other parties, other contractual arrangements and historic patterns in voting attendance.

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

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

2.5 Associates

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

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

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

Where the Group ceases to control a subsidiary but retains an investment in that company, it recognises the investment retained at its fair value as at the date on which it ceases to control that company. Where the former subsidiary is now an associate, the fair value is deemed to be the cost on initial recognition of the investment in the associate. Any excess of the fair value over the book values of the identified net assets of the associate is credited to the consolidated income statement. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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

Notes to the financial statements continued

2 Summary of significant accounting policies continued

2.6 Business combinations

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

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

2.7 Intangible assets

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

Other intangible assets are stated at historical cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost less the estimated residual value of intangible assets by equal annual instalments over their estimated useful economic lives as follows:

Systems development	3 years straight-line

The amortisation is charged to administrative expenses in the profit and loss account. The other intangible assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.8 Property, plant and equipment

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

Fixtures, fittings & equipment	3 years straight-line

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

2.9 Non-financial assets

(a) Impairment of non-financial assets

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

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

(b) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale. Discontinued operations are presented separately in the income statement.

2.10 Financial assets

The Group and the Company classify financial assets in the following categories: loans receivable, trade and other receivables, leases receivable, 'available-for-sale' financial assets and legal case investments. The classification depends on the purpose for which the financial assets were acquired.

(a) Loans, trade and other receivables

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

Loans and trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and trade and other receivables is established when there is objective evidence that the Group or Company will not be able to collect all amounts due according to the original terms of the loan or receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency on payments are considered indicators that the loan or trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is, as appropriate, disclosed separately in the income statement or recognised within 'administrative expenses'.

(b) Finance leases receivable

Where the Group leases out equipment and there is a transfer of substantially all of the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease and the net investment is included in interest-bearing leases receivable. In accordance with IAS 17, costs which are incremental to the initiation of new business (Initial Direct Costs or "IDC") are capitalised and amortised over the expected life of the leases to which they relate. The IDC is included in lease receivables. The capitalisation of IDC relates to expenses which are incremental and directly attributable to negotiating and arranging a lease or loan. The IDC amortisation is netted off against interest income and similar income in the income statement.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

2.10 Financial assets continued

(c) 'Available-for-sale' financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories specified by IAS 39 Financial Instruments: Recognition and Measurement.

Purchases and sales of investments are recognised on the trade date – the date on which the Group or Company commits to purchase or sell the asset. Investments are initially recognised at fair value, including directly attributable transaction costs. 'Available-for-sale' financial assets are subsequently carried at fair value and gains and losses arising from changes in fair value are recognised directly in other comprehensive income. They are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group or Company has transferred substantially all risks and rewards of ownership.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'profit/ loss on sale of investments' and 'provision for impairment of investments' respectively. Interest accrued on available-for-sale securities carrying a fixed interest rate is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group and Company's right to receive payments is established.

The fair values of quoted investments are based on closing bid prices prevailing at the balance sheet date. If the market for a financial asset is not active (and for unlisted securities), the Group and Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed in the income statement unless the underlying instrument is derecognised.

(d) Investment in subsidiaries – separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes directly attributable costs of investment.

(e) Investment in associates – separate financial statements

Investments in associates are accounted for at cost less impairment. Cost also includes directly attributable costs of investment. Where an associate was formerly a subsidiary, the fair value determined at the date of losing control is regarded as the cost on initial recognition of the investment in the associate.

(f) Legal case investments

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

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

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

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

2.11 Cash and cash equivalents

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

2.12 Financial liabilities and equity

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

An equity instrument is any contract which evidences a residual interest in the assets of the Group after deducting all of its liabilities.

2.13 Share capital

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

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

2.14 Dividends

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

2.15 Preference shares

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

2.16 Trade payables

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

2.17 Borrowings

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

2.18 Leases

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

2.19 Revenue

Revenue comprises dividend and interest income and investment management fees, arrangement fees, and trade finance fees. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on an accruals basis using the effective interest rate method. Management fees and arrangement fees are recognised as the underlying services are provided. The trade finance fees are spread over the period of the contract on an effective interest rate basis.

Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account. Amounts collected on behalf of third parties are not economic benefits to the Group and do not result in an increase in equity. In an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and do not result in increases in equity for the Group. The amounts collected on behalf of the principal are not recognised as revenue. Instead, revenue is the amount of fees and commission.

The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. The Group is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

2.20 Other income

Other income, which comprises income from directors' services, consultancy and charges for office space and the use of equipment, is recognised on an accruals basis.

2.21 Foreign currencies

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

Translation differences on non-monetary financial assets, such as equities classified as 'available-for-sale', are included in other comprehensive income.

2.22 Employee benefits

Share based payment

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

The fair value of the employee services received by the Group is recognised as an expense. The total value of the expense is determined by reference to the fair value of the equity award granted including any market performance conditions, but excluding non-market conditions such as continued employee service periods. Non-market conditions are included in the assumptions about the number of equity awards that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. Where the employee services are received in advance of the formal grant date of the equity award, as is the case with the deferred element of the Group's long term incentive plan, the fair value of the award is estimated at each reporting date preceding the grant date and the cumulative recognised charge is adjusted as appropriate when the fair value is ultimately calculated on grant. At each reporting date the Group updates its estimate of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

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

Annual and deferred incentive scheme

The Group recognises a liability and an expense for bonuses and profit sharing based on the increase in the higher of total shareholder return or increase in net assets per share against a benchmark of 5% above bank base rate. The scheme applies to certain directors and employees of the Company. Under the scheme the first one-third of the award is payable in cash immediately and two thirds are deferred and payable in shares at the first and second anniversary. The liability is recognised where there is either a contractual obligation or past practice has established a constructive obligation. Deferred incentive scheme bonuses are treated as equity-settled share-based payments, as they are payable only in shares, in accordance with the policy outlined above.

2.23 Employee Benefit Trust (EBT)

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

2.24 Corporation tax

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

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

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

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

2.25 Loss of control

When control in a subsidiary is lost, the Group de-recognises the assets and liabilities of the former subsidiary from the consolidated balance sheet, recognises any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it in accordance with relevant IFRSs. If the former subsidiary is determined to be an associate or a joint venture, the fair value determined on loss of control is regarded as the cost on initial recognition of the investment in the associate or joint venture. These result in a gain or loss associated with the loss of control attributable to the former controlling interest which is recognised in the income statement.

3 Judgements and estimates

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

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

Assessing impairment of investments in subsidiaries and associates

Investments in subsidiaries and associates are valued at cost less impairment. Where there has been a reduction in the Group's shareholding in a subsidiary such that it ceased to be a subsidiary and moved to being an associate, the cost of the investment retained by the Group is deemed to be the fair value of that investment as at the date it ceased to be a subsidiary, as required by IFRS 10.

During the year, the Group had two investment platforms, an associate (TFPL) and a subsidiary (CAML). CAML is now the Group's one investment platform.

CAML, the only investment platform that is a subsidiary, has its own management and operations, and an opportunity and risk profile unique to its business. In determining its fair value, the directors have taken cognizance of the material effect of the events at TFPL on the Group's future plans for CAML, as these adversely impacted the availability of funds to generate growth. The Board has been looking at wider strategic options for CAML to help it achieve scale, including the addition of potential investors or a sale of the business. Although CAML demonstrated strong growth in the latter part of the year, it has since had to scale back its activities due to capital constraints. The directors have concluded there has been no impairment in the fair value of its holding of £2,000,000 7% preference shares, which accordingly continues to be carried at cost. A provision for impairment of £2,330k has been recognised by the Company in respect of the Company's equity investment in CAML together with £500k in relation to amounts owed by CAML. There is no impact on either the consolidated results or the consolidated balance sheet.

Following the sharp deterioration in the financial position of TFPL in the second half of the year (see note 17), the Group considers there will be limited or no recovery of its overall investment in TFPL and, accordingly, the fair value of its investment in TFPL is nil.

The directors consider the fair valuation of each underlying investment platform, whether it is a subsidiary or an associate, to be an important measure of the current position of their operating businesses. Where necessary the Group hires consultants who are experts in performing business valuations for the purpose of monitoring and tracking the fair values of its investment platforms.

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

As stated above, the judgement as to the impairment of its investments in subsidiaries and associates is based on the forecast profitability of the underlying investments in the foreseeable future. Actual results may deviate from these expectations, and as noted above, there is a risk of increased volatility arising in the Group's operating results from a provision for impairment if results are lower than anticipated.

Notes to the financial statements continued

3 Judgements and estimates continued

Assessing impairment of investments in subsidiaries and associates continued

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

Impairment of loans and leases

For loans and leases the provision for impairment is determined on an individual basis by reference to past default experience and other recoverability information relating to the specific lease or loan. Recoverable amounts are assessed with reference to the expected future cash flows on the lease arrangements. If there is no evidence of impairment on an individual basis, a collective impairment review is undertaken whereby the assets are grouped together, on the basis of similar credit risk characteristics, in order to calculate a collective impairment loss. This process accounts for impairments existing at the balance sheet date that are not evident until a future date.

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

Tax

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

4 Revenue and cost of sales

Revenue	31 March 2016 £'000	31 March 2015 £'000
Interest receivable	793	815
Dividends receivable	7	–
Income from investments	800	815
Investment management fee income	264	408
Lease and loan interest	1,384	533
Arrangement fees	86	13
Total from continuing operations	2,534	1,769
Total from discontinued operations	–	585
Total revenue	2,534	2,354

Cost of sales	31 March 2016 £'000	31 March 2015 £'000
Commissions and introduction fees	51	64
Total from continuing operations	51	64
Total from discontinued operations	–	571
Total cost of sales	51	635

5 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. A description of the activities of each platform is given in the Strategic report. 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.

Financial statements

Notes to the financial statements continued

5 Segmental reporting continued

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.

6 Administrative expenses

	31 March 2016 £'000	31 March 2015 £'000
Staff costs		
Payroll (see note 9)	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 loss/(gain)	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

Directors' emoluments are shown in the Directors' Remuneration report on page 15.

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

7 (Losses)/gains on financial assets

	31 March 2016 £'000	31 March 2015 £'000
Gain on sale of investments	1	16
Fair value reserve transfer from equity on sale of investments	1	(55)
Provision for impairment of investments during the year	(9)	(9)
Fair value reserve transfer from equity on impairment of investments	(42)	(90)
Loss on legal case investments	–	(411)
Total from continuing operations	(49)	(549)

The impairment losses of £51,000 (2015: £99,000) include the write down of the investment in Peninsular Gold (2015: Black Mountain and Vatukoula Gold).

Notes to the financial statements continued

8 Other income

	31 March 2016 £'000	31 March 2015 £'000
Director services	46	50
Consultancy	45	59
Sundry income	235	207
Total	326	316
Total from continuing operations	326	316
Total from discontinued operations	–	–
Total Other income	326	316

9 Employee numbers and costs

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

Group	31 March 2016	31 March 2015
COLG	4	6
Lease and professions financing	12	9
	16	15
Continuing operations	16	15
Discontinued operations	–	–
Total	16	15

The aggregate payroll costs of these employees were as follows:

	31 March 2016 £'000	31 March 2015 £'000
Wages and salaries	1,228	906
Social security costs	146	120
Pensions	21	1
Share option scheme	20	40
	1,415	1,067
Continuing operations	1,415	1,067
Discontinued operations	–	–
Total[(a)]	1,415	1,067

(a) Including executive termination costs of £77,000 (2015: nil).

10 Finance expense

	31 March 2016 £'000	31 March 2015 £'000
Loan interest	1,252	867
Total from continuing operations	1,252	867
Total from discontinued operations	–	–
Total finance expense	1,252	867

11 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	–	–
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
	–	–

12 Dividends

No dividends were paid and recognised during either the current or prior year. The directors do not recommend payment of a final dividend (2015: nil).

13 Earnings per share

Basic and diluted

Basic and diluted earnings per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year less those held in treasury and in the Employee Benefit Trust (see note 25).

	31 March 2016	31 March 2015
Loss attributable to equity holders (£'000)		
Continuing operations	(6,646)	(1,418)
Discontinued operations	–	2
Total	(6,646)	(1,416)
Weighted average number of ordinary shares in issue ('000)	27,284	19,780
Basic and diluted earnings per share		
Continuing operations	(24.36)p	(7.17)p
Discontinued operations	–	0.01p
Total	(24.36)p	(7.16)p

Notes to the financial statements continued

14 Intangible assets

Group	Goodwill £'000	Systems development costs £'000	Total £'000
Cost			
At 31 March 2014	46	14	60
Disposals	–	(14)	(14)
At 31 March 2015	46	–	46
Disposals	(46)	–	(46)
At 31 March 2016	–	–	–
Accumulated amortisation and impairment			
At 31 March 2014	–	12	12
Disposals	–	(14)	(14)
Charge in year	–	2	2
At 31 March 2015	–	–	–
Disposals	–	–	–
At 31 March 2016	–	–	–
Carrying amount			
At 31 March 2016	–	–	–
At 31 March 2015	46	–	46

15 Property, plant and equipment

	Group		Company	
	31 March 2016 £'000	**31 March 2015 £'000**	**31 March 2016 £'000**	**31 March 2015 £'000**
Cost				
At 1 April	325	326	318	315
Additions	23	8	1	6
Disposals	–	(9)	–	(3)
At 31 March	348	325	319	318
Depreciation				
At 1 April	285	226	280	218
Charge for the year	36	67	30	64
Disposals	–	(8)	–	(2)
At 31 March	321	285	310	280
Net book value				
At 31 March	27	40	9	38

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

16 'Available-for-sale' financial assets

Group and Company	31 March 2016 £'000	31 March 2015 £'000
At 1 April	177	383
Additions	–	–
Disposals	(5)	(140)
Revaluation surplus recognised in equity	30	33
Written off to income statement	(51)	(99)
At 31 March	151	177
Historic cost (net of provisions) of disposals	3	196

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

17 Investments

Group	Interests in associates £'000
As at 31 March 2014	1,127
Addition	3
Share of profits and losses of associates	(27)
Transfer to Assets classified as held for sale	(213)
As at 31 March 2015	890
Addition	193
Share of profits and losses of associates(i)	(898)
Distribution of profits from associates	(39)
As at 31 March 2016	146

(i) Share of TFPL losses recognised (£940,000) was restricted to the carrying value of the equity investment.

Notes to the financial statements continued

17 Investments continued

Company	Investments in subsidiaries £'000	Investments in associates £'000
As at 31 March 2014	3,219	1,767
Additions in year	–	3
Disposal in year	(2)	–
Transfer to Assets classified as held for sale	–	(1,770)
As at 31 March 2015	3,217	–
Additions in year	2,010	–
Disposal in year	(100)	–
As at 31 March 2016	5,127	–
Provision for impairment		
As at 31 March 2014	100	–
Disposal in year	–	–
As at 31 March 2015	100	–
Additions in year	2,967	–
Disposal in year	(100)	–
As at 31 March 2016	2,967	–
Carrying amount		
As at 31 March 2016	2,160	–
As at 31 March 2015	3,117	–

(a) Disposal of assets classified as held for sale – Therium

Following the Company's decision to dispose of its interest in Therium, its litigation fund manager associate, in June 2014, the Group's interest, including loans and receivables, was classified as an asset held for sale and presented separately in the balance sheet. The Group's share of the results of Therium was not included in the consolidated income statement from that date.

The Company completed the sale of its interest in Therium, including its 50% associate Novitas Loans Limited and its subsidiary Novitas Futures Limited, on 29 April 2015 for a total consideration of £3,390,000 of which £1,750,000 was received in cash on completion and £1,640,000 was deferred. £466,000 of the deferred consideration was received during the year: the balance of £1,174,000 will be received within the period to 29 April 2017.

As at the date of disposal, the carrying value of the assets and liabilities comprising the interest in Therium in the Group's consolidated accounts was £1,831,000 as shown below. This carrying value reflected the Group's share of post-acquisition losses which had been included in the Group's consolidated financial statements in previous years. After taking account of costs associated with the disposal, including a provision for non-recovery of a commercial loan made through Novitas Futures Limited, a profit of £1,398,000 arose in the consolidated accounts.

The major classes of assets and liabilities classified as held for sale at 31 March 2015 are shown below for the Group and Company respectively.

	Group £'000	Company £'000
Non-current assets		
Investment in associates	–	1,770
Interests in associates[(i)]	213	–
Loans	1,180	1,180
	1,393	2,950
Current assets		
Trade and other receivables	438	438
Total assets classified as held for sale	1,831	3,388

(i) Investment in Therium as adjusted by the Group's share of post-acquisition changes in the Group's share of its net assets.

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

A capital restructuring plan was undertaken by Credit Asset Management Limited in July 2015. As part of this restructuring plan, the Company sold its wholly-owned subsidiary, Professions Funding Limited ("PFL"), which had been managed by CAML for some years, to CAML in exchange for newly-issued ordinary shares and, in addition, converted the preference shares that it held in CAML to ordinary shares. As a consequence, the Company increased its ordinary shareholding in CAML from 51% to 85%, with a corresponding reduction in the percentage of the ordinary shares held by the non-controlling interests (see note 26).

As part of its overall capital restructuring plan, CAML also issued £5,000,000 7% preference shares to Citymain Investments Limited, a related party of the Company on 16 July 2015. The Company purchased £2,000,000 of these 7% preference shares in November 2015 at par for cash.

A provision for impairment of £2,330,000 (2015: nil) was made in the Company's investment in CAML following an assessment of the fair value as at 31 March 2016.

(c) Trade Finance Partners Limited ("TFPL")

In May 2015, the Group increased its shareholding in its associate, Trade Finance Partners Limited, from 44.1% to 48.9% when it purchased additional shares from a minority shareholder at a total cost of £192,735.

During the second half of the year, the financial position of TFPL deteriorated sharply after Macquarie, TFPL's principal secured creditor, restricted the scope of business which it was willing to consider funding and TFPL identified a number of advances which were significantly impaired, including an advance to a customer which TFPL subsequently put into administration. As a consequence, the directors now consider there will be limited or no recovery from its overall investment in TFPL and full provision has been made in respect of this investment in TFPL. The Group has no exposure to TFPL beyond its investment.

The total provision in the consolidated profit and loss account comprises the following:

	£'000
Impairment of investment in loan notes issued by TFPL	5,881
Provision for accrued interest payable on the loan notes	276
Provision for amounts owed in respect of services provided to TFPL	103
	6,260

In addition, the Group's Share of profits and losses of associates for the year includes losses of £940,000 relating to TFPL. The losses recognised were restricted to the carrying value of the equity investment in TFPL.

The Company has made full provision in its own accounts for losses arising from the Group's overall investment in TFPL, including a provision for impairment of £637,000 (2015: nil) in its investment in City of London Confirming House Limited, the company which holds the Group's shareholding in TFPL.

(d) Associates

Summarised financial information on the associates is set out below:

Year ended 31 March 2016	COL SME LP £'000	COL SME Loans LP £'000
Non-current assets	2,204	1,166
Current assets	3,529	2,216
Current liabilities	(197)	(128)
Non-current liabilities	(5,500)	(3,000)
Net assets	36	254
Revenue	767	537
(Loss)/profit from continuing operations	(40)	124
Total comprehensive (expense)/income	(40)	124

No financial information has been shown for TFPL as financial accounts for the year ended 31 March 2016 are not available.

Notes to the financial statements continued

17 Investments continued

(d) Associates continued

Year ended 31 March 2015	TFPL £'000	COL SME LP £'000	COL SME Loans LP £'000	Therium £'000
Non-current assets	34	3,343	1,092	17,926
Current assets	43,460	3,030	2,323	3,027
Current liabilities	(33,488)	(173)	(235)	(22,041)
Non-current liabilities	(11,509)	(6,100)	(3,000)	–
Net (liabilities)/assets	(1,503)	100	180	(1,088)
Revenue	10,883	700	459	1,012
(Loss)/profit from continuing operations	(251)	76	52	143
Total comprehensive (expense)/income	(251)	76	52	143

(e) Investments

Details of investments are as follows:

Name of Company subsidiary undertaking	Holding	Proportion held directly by City of London Group plc	Proportion held indirectly	Nature of business
City of London Confirming House Limited	Ordinary Shares	100%		Holding company
City of London SME Leasing Limited	Ordinary Shares	100%		Holding company
COLG SME (GP) Limited	Ordinary Shares	100%		Holding company
City of London Financial Services Limited	Ordinary Shares	100%		General financial
City of London Law Funding Limited	Ordinary Shares	100%		Legal case funding
COLG Trade Finance Limited	Ordinary Shares	100%		Finance company
Credit Asset Management Limited	Ordinary Shares	85%		Leasing
Professions Funding Limited	Ordinary Shares		(a) 85%	Professions funding
Associate investments				
Trade Finance Partners Limited	Ordinary Shares		(b) 48.88%	Trade Finance
TFP Trading Company Limited	Ordinary Shares		(c) 48.88%	Trade Finance
COLG SME Loans LP	Capital contribution		(d) 50%	Professions funding
COLG SME LP	Capital contribution		(d) 50%	Leasing

(a) Credit Asset Management Limited holds 100% of the issued share capital.
(b) Proportion held by City of London Confirming House Limited. The same proportion is held indirectly by the Company.
(c) Trade Finance Partners Limited holds 100% of the issued share capital. The indirect interest held by both City of London Confirming House Limited and the Company is 48.88%.
(d) Proportion held by City of London SME Leasing Limited. The same proportion is held indirectly by the Company.

All subsidiaries and associates have a 31 March year end.

All subsidiaries and associates are registered in England and Wales.

Therium Capital Management Limited ceased to be an associate on 29 April 2015 (see above).

Two subsidiaries, City of London Public Relations Limited and Array Management Limited, were dissolved during the year. Affinia Capital (General Partner) Limited was sold during the year.

18 Legal case investments

Group and Company	31 March 2016 £'000	31 March 2015 £'000
As at 1 April	232	672
Additions	–	11
Return of seed investment	(94)	(40)
Loss on legal case investments	–	(411)
As at 31 March	138	232

19 Loans and leases receivable

	Group		Company	
Non-current	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Loans	4,755	634	1,274	100
Loans to related parties (note 29)	4,250	9,979	–	–
	9,005	10,613	1,274	100
Finance leases	2,477	970	–	–
	11,482	11,583	1,274	100

Non-current loans and finance leases are stated after including provisions of £6,109,000 for impairment, including £5,881,000 in respect of loans to related parties (2015: nil).

	Group		Company	
Current	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Loans	5,446	1,548	–	50
Loans to related parties (note 29)	–	108	32	110
	5,446	1,656	32	160
Finance leases	1,635	676	–	–
	7,081	2,332	32	160

Current loans and finance leases are stated after including provisions of £415,000 for impairment (2015: £303,000).

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

	31 March 2016		31 March 2015	
	Minimum lease payments £'000	Present value of minimum lease payments £'000	Minimum lease payments £'000	Present value of minimum lease payments £'000
Gross amounts receivable:				
Less than one year	2,246	1,635	913	676
More than one year, less than five	2,977	2,477	1,115	970
	5,223	4,112	2,028	1,646
Less: unearned finance income	(912)	–	(322)	–
	4,311	4,112	1,706	1,646

There were no finance lease receivables in respect of the Company (2015: nil).

Notes to the financial statements continued

20 Trade and other receivables

	Group		Company	
Current assets	**31 March 2016 £'000**	**31 March 2015 £'000**	**31 March 2016 £'000**	**31 March 2015 £'000**
Trade receivables	123	98	73	59
Amounts owed by related companies	74	74	–	–
Amounts owed by subsidiaries	–	–	383	7,242
Other debtors	497	222	11	3
Prepayments and accrued income	116	509	62	71
	810	903	529	7,375

21 Cash and cash equivalents

	Group		Company	
	31 March 2016 £'000	**31 March 2015 £'000**	**31 March 2016 £'000**	**31 March 2015 £'000**
Cash at bank	2,497	1,221	226	190

There was £1,790,000 (2015: £792,000) of restricted cash within the Group cash balance of £2,497,000 (2015: £1,221,000) and £60,000 (2015: £60,000) of restricted cash within the Company cash balance of £226,000 (2015: £190,000). The restricted cash held by the Company is a rent deposit, with the balance within the Group being held by a subsidiary on behalf of managed funds.

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

	Group		Company	
Borrowings	**31 March 2016 £'000**	**31 March 2015 £'000**	**31 March 2016 £'000**	**31 March 2015 £'000**
Loans	3,935	1,688	–	–
Trade and other payables				
Trade payables	256	913	141	122
Amounts owed to subsidiaries	–	–	1,555	1,555
Amounts owed to related parties	1,682	–	–	–
Dividends payable	1	1	1	1
Other taxation and social security	63	30	34	8
Other creditors	287	112	60	60
Accruals and deferred income	762	681	204	425
	3,051	1,737	1,995	2,171

23 Non-current liabilities

	Group		Company	
Borrowings	**31 March 2016 £'000**	**31 March 2015 £'000**	**31 March 2016 £'000**	**31 March 2015 £'000**
Preference shares of subsidiary	3,000	–	–	–
Loans	10,237	11,459	388	4,344
	13,237	11,459	388	4,344

24 Deferred tax assets and liabilities

	Group		Company	
Unrecognised deferred tax assets	**31 March 2016 £'000**	**31 March 2015 £'000**	**31 March 2016 £'000**	**31 March 2015 £'000**
Differences between tax and accounting base of:				
Investments, including 'available-for-sale' assets	413	232	255	266
Capital losses	160	–	160	–
Trading losses	382	404	–	–
Excess management charges	1,327	1,090	1,327	1,007
Timing differences	48	(17)	(18)	(17)
Total	2,330	1,709	1,724	1,256

No deferred tax assets or liabilities were recognised in the financial statements at 31 March 2016 or 31 March 2015.

Unrecognised deferred tax assets have been calculated on the basis of trading losses and excess management charges carried forward of £8,535,000 (2015: £7,470,000), capital losses of £801,000 (2015: nil), unrealised capital losses on investments of £2,065,000 (2015: £1,160,000) and timing differences of £240,000 (2015: £85,000). There is no time limit for the utilisation of these amounts.

25 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 ("EBT") at 31 March 2016 (2015: 426,996). The Company did not purchase any shares from the Trust during the year (2015: nil). The fair value of shares held by the EBT at the balance sheet date amounted to £32,000 (2015: £110,000): these are deducted from equity in accordance with note 2.23.

	Shares in issue Number	**Shares in issue £'000**
As at 31 March 2014	20,206,617	2,021
Issued in year	–	–
As at 31 March 2015	20,206,617	2,021
Issued in year for cash	16,646,064	1,664
As at 31 March 2016	36,852,681	3,685

Costs of £494,567 were incurred in relation to the issue of shares in the year. This cost has been offset against the Company's share premium.

26 Non-controlling interests

	31 March 2016 £'000	**31 March 2015 £'000**
At 1 April	(1,154)	(986)
Loss attributable to non-controlling interests	(118)	(162)
Transferred to equity on acquisition of non-controlling interests[a]	1,172	–
Transfer on sale of subsidiary	–	(6)
At 31 March	(100)	(1,154)

(a) Following a capital restructuring plan undertaken by Credit Asset Management Limited ("CAML") in July 2015 (see note 17), the Company increased its ordinary shareholding in CAML from 51% to 85%, with a corresponding reduction in the percentage of the ordinary shares held by the non-controlling interests.

Notes to the financial statements continued

26 Non-controlling interests continued

Under IFRS3, such an increase in a parent's ownership interest in a subsidiary is accounted for as an equity transaction. The difference between the cost of acquiring the additional ownership interest and the increase in the attributable net assets of the subsidiary has been written off to equity as a reserve movement. The amount of £1,218,000 written off to equity also includes goodwill of £46,000 which was previously carried in relation to Professions Funding Limited which, following the capital restructure, is now a wholly-owned subsidiary of CAML.

Credit Asset Management Limited, an 85% owned subsidiary (2015: 51% owned subsidiary) of the Company, is the only subsidiary at both 31 March 2016 and 31 March 2015 that has material non-controlling interests (NCI). The NCI holds 15% (2015: 49%) of both shares and voting rights. Summarised financial information in relation to the NCI of Credit Asset Management Limited, before intra-group eliminations, is given below:

For the year ended 31 March	2016 £'000	2015 £'000
Revenue	1,556	879
Costs	(2,087)	(1,210)
Loss before and after tax	(531)	(331)
Loss and total comprehensive expense allocated to NCI	(118)	(162)
Cash flows from operating activities	(3,723)	(1,357)
Cash flows from investing activities	(1,098)	–
Cash flows from financing activities	6,075	(93)
Net cash inflow/(outflow)	1,254	(1,450)
As at 31 March		
Assets and liabilities attributable to NCI		
Non-current assets	864	476
Current assets	997	849
Current liabilities	(737)	(1,531)
Non-current liabilities	(1,224)	(948)
Accumulated non-controlling interests	(100)	(1,154)

27 Operating lease commitments

	Group		Company	
	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Minimum lease payments under operating leases recognised in expense for the year	224	146	224	146

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

	Group		Company	
	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Less than one year	274	155	274	155
Between one and five years	43	187	43	187
Greater than five years	–	–	–	–
	317	342	317	342

28 Commitments

	Group		Company	
Funding Commitments	**31 March 2016 £'000**	**31 March 2015 £'000**	**31 March 2016 £'000**	**31 March 2015 £'000**
Loans	–	450	–	–
	–	450	–	–

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

29 Related party transactions

The related parties of the Company are its subsidiaries and the associates of the Group, together with the directors of the Company.

Directors' emoluments are disclosed in the Directors' Remuneration report. The aggregate emoluments of the directors for the year were £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.

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 (see note 17).

The Company's related party transactions included:

	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	Provision for loans due to City of London Group plc at year end £'000	Other amounts due to/ (from) City of London Group plc at year end £'000	Provision for other amounts due to City of London Group plc at year end £'000	Due from City of London Group plc at year end £'000
Year ended 31 March 2016							
City of London Confirming House Limited	280	–	3,638	(3,638)	111	(111)	–
COLG Trade Finance Limited	209	–	2,523	(2,523)	209	(209)	–
Trade Finance Partners Limited	211	–	–	–	123	(123)	–
City of London Law Funding Limited	–	–	–	–	118	(114)	–
Professions Funding Limited	32	–	–	–	365	–	–
Credit Asset Management Limited	212	–	–	–	578	(500)	–
City of London SME (GP) Limited	–	–	–	–	1	–	–
City of London SME Leasing Limited	–	116	–	–	(31)	–	1,450
City of London Financial Services Limited	6	–	–	–	(22)	–	105

Notes to the financial statements continued

29 Related party transactions continued

	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	Provision for loans due to City of London Group plc at year end £'000	Other amounts due to/ (from) City of London Group plc at year end £'000	Provision for other amounts due to City of London Group plc at year end £'000	Due from City of London Group plc at year end £'000
Year ended 31 March 2015							
City of London Confirming House Limited	247	–	3,192	–	49	–	–
COLG Trade Finance Limited	192	–	2,325	–	199	–	–
Trade Finance Partners Limited	179	–	–	–	–	–	–
City of London Law Funding Limited	47	–	158	–	188	–	–
Professions Funding Limited	114	–	–	–	334	–	–
Credit Asset Management Limited	235	–	350	–	511	–	–
City of London SME Leasing Limited	–	122	–	–	(30)	–	1,450
City of London Financial Services Limited	6	–	–	–	(20)	–	105
Therium Capital Management Limited	40	27	1,180	–	438	–	–

The amounts reported above include the Company's charges for:

- loan interest charged to City of London Confirming House Limited, COLG Trade Finance Limited, City of London Law Funding Limited, Credit Asset Management Limited, Professions Funding Limited and, in the prior year, Therium Capital Management Limited;
- preference share dividends accrued from Credit Asset Management Limited, Professions Funding Limited and, in the prior year, Therium Capital Management Limited;
- office space and the use of equipment to Credit Asset Management Limited and Trade Finance Partners Limited; and
- directors' services to Trade Finance Partners Limited and Credit Asset Management Limited.

The amounts charged to the Company are loan interest.

In addition, at 31 March 2015 Therium Capital Management Limited was the manager of funds in which the Company held investments of £232,000 at that date. Therium Capital Management Limited is no longer a related party (see note 17).

Group related parties

The transactions of other Group companies with related parties included:

	Interest charged by Group in year £'000	Loans due to Group at year end £'000	Provision for loans due to Group at year end £'000	Other amounts due to Group at year end £'000	Provision for other amounts due to Group at year end £'000
Year ended 31 March 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	–

30 Share-based payments

Share options are granted to directors and to selected employees. The exercise price of these fixed price options is equal to the market price of the shares at the date of grant. These options are conditional on the employee completing three years' service (the vesting period). The options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	Date of Grant	01/04/15	Granted in year	Lapsed in year	31/03/16	Exercisable from	Exercisable to	Exercise price
H Goodbourn	30/11/11	143,267	–	–	143,267	30/11/14	30/11/21	69.80p
J Kent	11/02/10	70,000	–	–	70,000	11/11/12	11/11/19	55.80p
Other staff	05/07/05	58,252	–	(58,252)	–	05/07/08	04/07/15	55.50p
	13/09/11	301,638	–	(301,638)	–	13/09/14	13/09/21	76.25p
		573,157	–	(359,890)	213,267			

Movements in the number of share options outstanding for 2014/15 were as follows:

	Date of Grant	01/04/14	Granted in year	Lapsed in year	31/03/15	Exercisable from	Exercisable to	Exercise price
E Anstee	11/02/10	100,000	–	(100,000)	–	11/11/12	11/11/19	55.80p
H Goodbourn	30/11/11	143,267	–	–	143,267	30/11/14	30/11/21	69.80p
J Kent	11/02/10	70,000	–	–	70,000	11/11/12	11/11/19	55.80p
Other staff	05/07/05	58,252	–	–	58,252	05/07/08	04/07/15	55.50p
	11/02/10	60,000	–	(60,000)	–	11/11/12	11/11/19	55.80p
	13/09/11	432,786	–	(131,148)	301,638	13/09/14	13/09/21	76.25p
		864,305	–	(291,148)	573,157			

City of London Group plc's share price as at 31 March 2016 was 7.5p (2015: 25.75p). The average for the year to 31 March 2016 was 23.9p (2015: 20.9p)

As the value of the share options is nil, no disclosure regarding the determination of the fair value of the share options has been made.

The Company will use the shares in the Employee Benefit Trust to cover the deferred incentive scheme awards.

Notes to the financial statements continued

31 Financial instruments

The Company's and the Group's financial instruments comprise 'available-for-sale' financial assets, trade debtors and other receivables, cash and cash equivalents and trade and other payables. The following tables analyse the Group and Company's financial assets and financial liabilities in accordance with the categories of financial instruments in IAS 39. Assets and liabilities outside the scope of IAS 39 are not included in the table below.

	As at 31 March 2016			As at 31 March 2015		
Group	**Available-for-sale financial investments £'000**	**Loans and receivables £'000**	**Total £'000**	**Available-for-sale financial investments £'000**	**Loans and receivables £'000**	**Total £'000**
Assets						
'Available-for-sale' financial assets	151	–	151	177	–	177
Legal case investments	138	–	138	232	–	232
Loans	–	14,451	14,451	–	12,269	12,269
Finance leases	–	4,112	4,112	–	1,646	1,646
Trade and other receivables	–	810	810	–	903	903
Cash and cash equivalents	–	2,497	2,497	–	1,221	1,221
	289	21,870	22,159	409	16,039	16,448
Liabilities						
Interest-bearing borrowings			17,172			13,147
Trade and other payables			3,051			1,737
			20,223			14,884

All financial liabilities in the above table are reflected at amortised cost.

	As at 31 March 2016			As at 31 March 2015		
Company	**Available-for-sale financial investments £'000**	**Loans and receivables £'000**	**Total £'000**	**Available-for-sale financial investments £'000**	**Loans and receivables £'000**	**Total £'000**
Assets						
'Available-for-sale' financial assets	151	–	151	177	–	177
Legal case investments	138	–	138	232	–	232
Loans	–	1,306	1,306	–	260	260
Trade and other receivables	–	529	529	–	7,375	7,375
Cash and cash equivalents	–	226	226	–	190	190
	289	2,061	2,350	409	7,825	8,234
Liabilities						
Interest-bearing borrowings			388			4,344
Trade and other payables			440			616
Amounts owed to subsidiaries			1,555			1,555
			2,383			6,515

At 31 March 2016 and 31 March 2015 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair

value of advances and other balances with related parties which are short term or repayable on demand are equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Group's non-current advances to related parties fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current fixed interest rate advances and bank borrowings at the end of the reporting periods is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 3 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'.

32 Financial risk management

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

(i) Credit risk

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

	31 March 2016 £'000	31 March 2015 £'000
Loans	10,201	2,182
Loans to related parties	4,250	10,087
Leases	4,112	1,646
Trade and other receivables	810	903
Cash and cash equivalents	2,497	1,221
Total	21,870	16,039

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

The leases are all secured by the underlying assets leased.

Loans are to professional firms including doctors, dentists, vets, lawyers and accountants and are unsecured but benefit from personal guarantees as management considers necessary.

The Group establishes an allowance for impairment on the basis set out in note 2. The credit risk for both loans and leases is reduced due to their being widely spread.

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

	31 March 2016 £'000	31 March 2015 £'000
Loans	619	406
Leases	126	50
Trade and other receivables	262	–
	1,007	456
Provisions made in respect of above	677	303

Receivables wholly or partly in arrears include arrears of £735,000 (2015: £386,000), of which £630,000 (2015: £363,000) was more than 90 days in arrears. There are no other past due receivables.

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

Notes to the financial statements continued

32 Financial risk management continued

(ii) Foreign exchange risk

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

(iii) Liquidity risk

The Company has sufficient cash to meet its current requirements. At 31 March 2016 and 31 March 2015 the Company did not have a bank overdraft facility.

The total gross contractual undiscounted cash flows of financial liabilities, including interest payments:

Year ended 31 March 2016	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	1,597	3,431	11,925	3,310	20,263
Trade and other payables	–	3,051	–	–	–	3,051
	–	4,648	3,431	11,925	3,310	23,314
Company						
Interest-bearing borrowings	–	1,565	23	408	–	1,996
Trade and other payables	–	440	–	–	–	440
	–	2,005	23	408	–	2,436

Year ended 31 March 2015	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	904	1,431	12,983	–	15,318
Trade and other payables	–	1,737	–	–	–	1,737
	–	2,641	1,431	12,983	–	17,055
Company						
Interest-bearing borrowings	–	1,555	45	4,852	–	6,452
Trade and other payables	–	616	–	–	–	616
	–	2,171	45	4,852	–	7,068

The repayment dates of financial liabilities are as follows:

Year ended 31 March 2016	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	1,297	2,638	10,237	3,000	17,172
Trade and other payables	–	3,051	–	–	–	3,051
	–	4,348	2,638	10,237	3,000	20,223
Company						
Interest-bearing borrowings	–	1,555	–	388	–	1,943
Trade and other payables	–	440	–	–	–	440
	–	1,995	–	388	–	2,383

Year ended 31 March 2015	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	742	946	11,459	–	13,147
Trade and other payables	–	1,737	–	–	–	1,737
	–	2,479	946	11,459	–	14,884
Company						
Interest-bearing borrowings	–	1,555	–	4,344	–	5,899
Trade and other payables	–	616	–	–	–	616
	–	2,171	–	4,344	–	6,515

(iv) Interest rate risk

The Company has interest-bearing assets and liabilities at fixed interest rates. The Group and Company had no floating rate borrowings at either 31 March 2016 or 31 March 2015. Accordingly, the results before tax of the Group and Company would be unaffected by any change in the Bank of England rate in either year.

(v) Price risk

The Group is subject to price risk on 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 valuation techniques as described in note 3.

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

Notes to the financial statements continued

32 Financial risk management continued

(v) Price risk continued

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:

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

(vi) Capital Management

The primary objective of the Company's capital management is to ensure that it has sufficient funding capacity for itself and to support its SME lending platform. The Company has significantly reduced its head office costs so reducing the capital requirements of the Company. The main funding sources for the platform will continue to be from third party sources. The Company seeks to optimise the mix of debt and equity funding sources to maintain the balance of a robust financial structure whilst creating shareholder value through an appropriate debt equity mix of the Company and the platform. The Company's capital is deemed to be its equity.

Debt equity ratio is shown below:

	31 March 2016 £'000	31 March 2015 £'000
Third-party borrowings	388	4,344
Loans from subsidiaries	1,555	1,555
Cash	(226)	(190)
Net Debt	1,717	5,709
Equity	2,136	8,262
Gearing	80.4%	69.1%

As an investment company the management only monitors the Company's capital structure instead of the Group structure.

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
Director
23 September 2016

Independent Auditor's report

to the members of City of London Group plc

We have audited the financial statements of City of London Group Plc for the year ended 31 March 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company balance sheet, the consolidated and company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Neil Fung-On (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London United Kingdom

23 September 2016

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

Notice of General Meeting

City of London Group plc

NOTICE IS GIVEN that a General Meeting of the Company will be held at 10.00 am on 21 October 2016 at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR to consider the following resolutions which will be proposed as ordinary resolutions:

1. To receive the report of the directors and the audited accounts for the year ended 31 March 2016.
2. To reappoint BDO as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the directors to determine their remuneration.

By order of the Board

Lorraine Young
Company Secretary

28 September 2016

Registered office

30 Cannon Street
London EC4M 6XH

Notice of General Meeting continued

Notes:

1. If you are a member entitled to attend and vote at the meeting, you may appoint one or more proxies to attend and vote on your behalf. A proxy need not be a member of the Company. A form of proxy is enclosed. If you appoint a proxy it will not prevent you from attending the meeting and voting in person.
2. You must send the form of proxy and any power of attorney or other authority under which it is signed, (or a notarially certified copy of such power or authority), to the Company's registrars: Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so that it is received by them not less than 48 hours (excluding non-working days) before the time of the meeting.
3. If your shares are held in joint names, the signature of only one of the joint holders is required. However, if more than one of the joint holders votes, the vote of the first named on the register of members will be accepted to the exclusion of other joint holders.
4. Any corporation which is a member may appoint one or more corporate representatives to exercise all of its powers as a member, on its behalf, provided that not more than one corporate representative may exercise powers over the same shares.
5. You may appoint more than one proxy, provided that each proxy is appointed to exercise rights in relation to different shares. If you wish to appoint more than one proxy, please call Capita Asset Services Helpline on 0871 664 0300 (for callers within the UK) or +44 208 639 3399 (for callers outside the UK) between 9.00 a.m. and 5.30 p.m. on any business day, or photocopy the proxy form. Please ensure that all proxy forms for one registered holding are sent in the same envelope if possible.
6. If you appoint more than one proxy, you must state the number of shares over which each proxy is entitled to exercise rights. As long as the total number of shares covered by all of the forms of proxy is not more than your total holding, it will be assumed that the proxies are appointed in relation to different shares, rather than that you have made conflicting appointments over the same shares. If two or more forms of proxy are received in relation to the same share(s) and the same meeting, the form of proxy which is received last will be treated as replacing and revoking any other forms received.
7. If you have been sent a copy of this notice because you have been nominated to have information rights under the Act by a nominee shareholder who holds shares on your behalf (and therefore your shares are not held in your own name) then you do not have the right to appoint a proxy using a form of proxy issued by the Company. However, you may have a right under an agreement with the registered shareholder to appoint someone else or to be appointed yourself as a proxy for this meeting. If you do not have this right, or if you do not wish to exercise it, you may have a right under such agreement to give instructions to the shareholder as to how they should vote in respect of the shares they hold on your behalf. You should contact the registered shareholder to find out more about any such arrangements.
8. Under Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), you must be on the register of members by the close of business two days before the GM in order to have the right to attend or vote at the meeting. The number of shares you hold at that time is the number over which you may exercise voting rights at the meeting. Changes to entries on the register of members after that time will be disregarded in determining your right to attend or to vote (and the number of votes you may cast) at the GM or any adjournment of that meeting.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the GM and any adjournment(s) of it by using the procedures described in the CREST Manual. If you are a CREST personal member or other CREST sponsored member, and/or a CREST member who has appointed a voting service provider(s), you should refer to your CREST sponsor or voting service provider(s), who will be able to take appropriate action on your behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specification and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of GM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if you are a CREST personal member or sponsored member or you have appointed a voting service provider(s), to ensure that your sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.
11. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate for any purposes other than those expressly stated.
12. As at 27 September 2016 (being the latest practicable date before the publication of this document) the Company's issued share capital consisted of 36,852,681 ordinary shares of 10 pence each, carrying one vote each. There are no shares currently held in treasury. Therefore, the total number of voting rights in the Company at that date was 36,852,681.

Form of Proxy
City of London Group plc

Name(s): ____

Address: ____

____

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

____

as my/our proxy to vote for me/us and on my/our behalf at a General Meeting of the Company to be held at 10.00 am on 21 October 2016 and at any adjournment of that meeting. I request my proxy to vote as indicated below:

Resolutions	For	Against	Vote Withheld
1. To receive the report and accounts for the year ended 31 March 2016			
2. To reappoint the auditors and authorise the directors to set their fees			

Signature or Common Seal ____________________ Dated ____________________

Name ____________________ No of Shares held ____________________

Notes for completion of proxy form

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

   If the appointor is a corporation, this form of proxy must be executed under its common seal or under the hand of an officer, attorney or other person duly authorised to do so.
4. This form of proxy must be completed and deposited, together with the power of attorney or other authority, if any, under which it is signed or a copy of such power or authority certified notarially, with the registrars of the Company, at least 48 hours (excluding non-working days) before the time of the meeting or adjourned meeting.

   The address of the registrars is Capita Asset Services, PXS 34 Beckenham Road, Beckenham, Kent BR3 4TU.
5. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. Only those shareholders on the register of members of the Company at 6.00 p.m. on 19 October 2016 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the register of members after this will be disregarded in determining the rights of any person to attend or vote at the meeting.
7. More than one proxy may be appointed in respect of shares comprised in the same holding. If more than one proxy is appointed a separate form of proxy should be completed for each person appointed and each form of proxy should show the number of shares to which it relates.
8. Any alteration made to this form of proxy should be initialled by the person(s) signing it.
9. In the case of joint holders, the vote of the senior (according to the order in which the names stand in the register in respect of the holding) who tenders a vote in person or by proxy will be accepted to the exclusion of the votes of the other joint holder(s).
10. Completion and return of this form of proxy will not prevent a shareholder from attending and voting in person at the meeting.

Investor information and advisers

Financial calendar

We will hold our 2016 annual general meeting at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR at 9.00 am on Friday 30 September 2016.

We will hold a general meeting at the offices of Shakespeare Martineau, 60 Gracechurch Street, London EC3V 0HR at 10.00 am on Friday 21 October 2016.

Half-year results (available online only) December 2016

Trading record (unaudited)

For the year ended 31 March	**2012**	**2013**	**2014**	**2015**	**2016**
Shareholders' attributable net profit/(loss) (£'000)	(1,433)	(1,551)	(3,427)	(1,416)	(6,646)
Earnings per share	(8.24)p	(8.23)p	(17.33)p	(7.16)p	(24.36)p
Dividends interim paid	0.50p	0.33p	0.00p	0.00p	0.00p
Dividends final proposed	0.50p	0.00p	0.00p	0.00p	0.00p
NAV per share attributable to shareholders	68.80p*	53.00p	34.40p	27.90p	6.06p

* before final dividend

NAV per share is calculated on the number of shares in issue less those held in treasury and in the Employee Benefit Trust.

Share price information

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

Announcements

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

Registered office and general enquiries

30 Cannon Street
London
EC4M 6XH
Tel: 020 7628 5518
Fax: 020 7628 8555
Company number: 01539241
Email: office@cityoflondongroup.com
Website: www.cityoflondongroup.com

Company Secretary

Lorraine Young
6th Floor
60 Gracechurch Street
London
EC3V 0HR

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

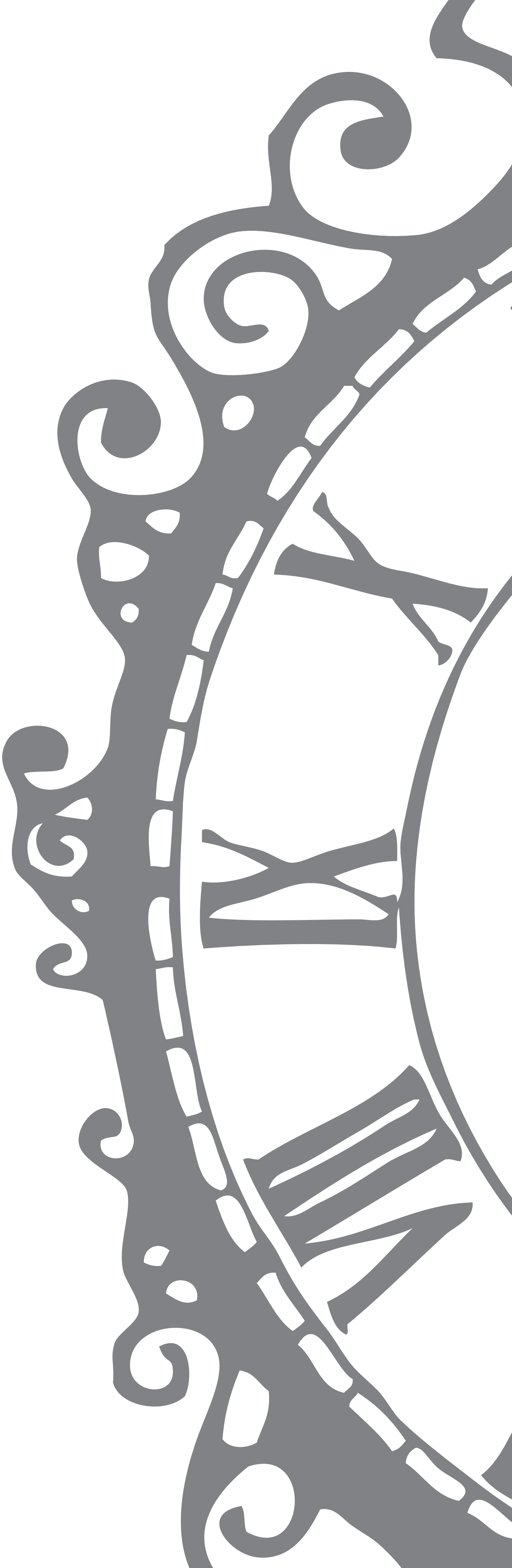
Bankers

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

Registrar and transfer office

For shareholder administration enquiries, including changes of address, please contact:

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU



RECYCLED
Paper made from recycled material
FSC® C005244

This report is printed on 350gsm and 120gsm Cocoon 100 Offset which is produced from 100% post-consumer recycled pulp and is PCF (process chlorine free). The mill is registered to the Environmental Management System ISO14001 and is Forest Stewardship Council® (FSC®) chain-of-custody certified.

City of London Group plc
30 Cannon Street
London EC4M 6XH
Phone: 020 7628 5518
Fax: 020 7628 8555
Email: **office@cityoflondongroup.com**