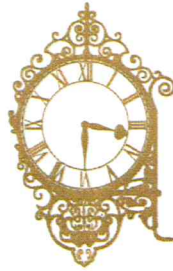


# **City of London Group plc**

**Half-year results 2016**

## Contents

Results for the six month period ended 30 September 2016	3
Chairman's review	5
Condensed consolidated income statement	8
Condensed consolidated statement of comprehensive income	9
Condensed consolidated balance sheet	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated statement of cash flows	13
Notes to condensed financial statements	15



LSE: CIN

22 December 2016

**City of London Group plc**  
("COLG" or "the Company" and, together with its subsidiaries and associates, "the Group")

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**Results for the six month period ended 30 September 2016**

The Company announces its unaudited interim results for the six month period ended 30 September 2016.

**Financial Results**

- Loss before tax £0.7m (2015/16 first half profit before tax £0.8m)
- Underlying loss £0.4m \* (2015/16 first half underlying loss £0.4m \*\*)
- CAML operating profit before shareholder charges £23k (2015/16 operating loss before shareholder charges £95k)
- Consolidated NAV per share attributable to shareholders 4p (31 March 2016 6p)

**Business developments**

- Wider strategic options for CAML to help it achieve scale continue to be examined and may result in the sale of the business
- CAML increased its 'own book' portfolio from £13.7m to £14.6m over the half year although new business volumes were constrained by the capital available in the latter part of the period.
- Continuing efforts to reduce overhead costs.

\* Underlying loss in 2015/16 is before the £0.2m cost of strategic review and £0.1m executive termination costs.

\*\* Underlying loss in 2015/16 is before the £1.4m profit on disposal of Therium and before £0.1m of costs directly associated with the fund raise.

***For further information:***

**City of London Group plc**

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***Notes to Editors:***

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

[www.cityoflondongroup.com](http://www.cityoflondongroup.com)

## Chairman's review

### Business review

The Group is focusing on maximising recoveries on its remaining investments, particularly in relation to Credit Asset Management Limited ('CAML') where the Group's strategic options continue to be examined. The objective is to enable CAML to achieve the scale of activity required to provide a financially stable platform that can underpin future business expansion. The options could involve the addition of potential investors or a sale of the business and/or loan book.

As reported in the 2016 Annual Report, Trade Finance Partners Limited ('TFPL') has, for some months, restricted its activities to maximising the recovery of advances previously made. It is now clear that no amounts are expected to be available for equity and loan note holders or other unsecured creditors or to its preference shareholders. As TFPL operated as a stand-alone business with no cross-guarantees or other financial obligations from either COLG or CAML, the Group continues to be insulated from TFPL. Full provision has been made against all amounts owed to the Group by TFPL.

COLG itself has continued to keep a tight control on its underlying cost base. The half year included one-off costs of £168k for the strategic review carried out by FCFM Group Limited and £148k for executive termination costs which arose in April. We are continuing to tidy up the few remaining non-core investments on our balance sheet.

### Credit Asset Management Limited ("CAML") and Professions Funding Limited ("PFL")

Over the half year, CAML grew its 'own book' portfolio from £13.7m to £14.6m. As the joint venture fund between COLG and British Business Bank Investments Ltd entered its amortisation phase from 1 April 2016 when it stopped accepting new business, the size of the fund reduced from £7.5m to £4.8m over the six month period. New business volumes were strong in the first months of the year with a peak of £2.6m in April, but subsequently declined to less than £1m per month in August and September. Yields also held up particularly for loans, with continuing pressure on lease yields. The results for the business are set out in the following table.

£'000	6 months to 30/09/16	6 months to 30/09/15	Year to 31/03/16
Revenue	1,265	757	1,820
Operating profit/(loss) before shareholder capital charges	23	(95)	(217)
Loss before tax	(153)	(244)	(541)

CAML had a significant increase in revenue over the period and showed an operating profit of £23k against a loss of £95k for the same period last year. The improvement is due to the increase in the 'own book' portfolio together with the strict control of costs in the six month period.



## Other investments

COLG's 'available for sale' investments in natural resources and other equities were valued at £164k at the period end. The remaining investments in litigation funds managed by Therium total £132k.

A further £127k has been received since the period end in respect of the deferred consideration payable for the sale of Therium, leaving a balance of £1m which will be receivable within the period to 29 April 2017.

## COLG overhead costs

COLG overhead costs in the period included £168k for the strategic review carried out by FCFM Group Limited and £148k for executive termination costs.

## Risks

The principal risks of the Group are reviewed by the Board, which reviews and agrees policies for managing these risks. The summary of key risks set out in the Strategic Report in the 2016 Annual Report are still appropriate. The 2016 Annual Report also included information on financial risk management in Notes 31 and 32 of the financial statements.

## Liquidity and going concern

The directors have reviewed the cash flow forecast for the period to 31 March 2018 and are satisfied the Company will have adequate working capital at that date.

The debt facilities of the Company currently comprise:

- (i) £4.4m loan facility of which £1.0m is drawn down. 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 all amounts drawn by the Company under its current debt facilities will be repaid by March 2018 from funds received on repayment of existing loans, including receipt of the balance of the deferred consideration for Therium, and proceeds 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 10% discount to current prices. The legal case investments held by the Company of £132k are assumed to be repaid at book value during the year.

It has also been assumed the Company will not be required to provide any further working capital to CAML and that there will be no recovery of amounts invested in TFPL.

The main risk factors around the cash flow forecast are:

- the realisation of all or part of the Company's interest in CAML is not achieved,
- the non-repayment of loans outstanding and the legal case investments
- the inability to dispose of the share portfolio at the assumed prices. A discount of 10% has been assumed.

After consideration of the above cash flow risk factors and the projected position in March 2018 together with possible mitigations, including the realisation of CAML's existing loan and lease 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 interim financial statements.

## Outlook

The Group will continue its present focus on maximising recoveries on its remaining investments, while recognising the impact of on-going parent company costs. The Group's strategic options for CAML, which could involve the addition of potential investors or a sale of the business and/or loan book, continue to be examined.

## Paul Milner Chairman

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

*This half-yearly report has been drawn up and presented with the purpose of complying with English law. Any liability arising out of or in connection with the half-yearly report for the six months to 30 September 2016 will be determined in accordance with English law. The half-yearly results for 2016 and 2015 have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.*

**22 December 2016**

# Unaudited interim results

## Condensed consolidated income statement

	6 months to 30/09/16 £'000	6 months to 30/09/15 £'000	Year to 31/03/16 £'000
Revenue	1,326	1,127	2,534
Cost of sales	(27)	(25)	(51)
Gross profit	1,299	1,102	2,483
Administrative expenses	(1,492)	(1,162)	(2,512)
(Loss)/profit on sale of investments	(1)	-	2
Provision for impairment of investments	-	-	(51)
Profit on the disposal of assets classified as held for sale (note 4)	-	1,398	1,398
Share of profits and losses of associates	73	(59)	(898)
Provision for the impairment of the investment in and amounts owed by TFPL	-	-	(6,260)
Other income	55	160	326
<b>(Loss)/profit from operations</b>	<b>(66)</b>	<b>1,439</b>	<b>(5,512)</b>
Finance expense	(669)	(599)	(1,252)
<b>(Loss)/profit before tax</b>	<b>(735)</b>	<b>840</b>	<b>(6,764)</b>
Corporation tax	-	-	-
<b>(Loss)/profit for the period</b>	<b>(735)</b>	<b>840</b>	<b>(6,764)</b>
<b>(Loss)/profit for the period attributable to:</b>			
Equity holders of the parent	(712)	915	(6,646)
Non-controlling interests	(23)	(75)	(118)
	<b>(735)</b>	<b>840</b>	<b>(6,764)</b>
<b>(Loss)/profit for the period</b>	<b>(735)</b>	<b>840</b>	<b>(6,764)</b>
<b>Earnings per share attributable to equity holders of the parent</b>			
Basic earnings per share	(1.96)p	4.62p	(24.36)p
Diluted earnings per share	(1.96)p	4.58p	(24.36)p

All the operations in both the six months to 30 September 2016 and the year to 31 March 2016 are continuing.



## Unaudited interim results

### Condensed consolidated statement of comprehensive income

	6 months to 30/09/16 £'000	6 months to 30/09/15 £'000	Year to 31/03/16 £'000
(Loss)/profit from continuing operations	(735)	840	(6,764)
<b>Other comprehensive (expense)/income from continuing operations</b>			
Items that will or may be reclassified to profit or loss			
‘Available-for-sale’ financial assets			
– Valuation gains/(losses) taken on equity investments	12	(14)	(20)
– Provision for impairment transferred to income statement	-	-	51
– Loss on sale transferred to income statement	1	-	(2)
Other comprehensive (expense)/income from continuing operations	13	(14)	29
Total other comprehensive (expense)/income	13	(14)	29
Total comprehensive (expense)/income from continuing operations	(722)	826	(6,735)
Total comprehensive (expense)/income from discontinued operations	-	-	-
Total comprehensive (expense)/income	(722)	826	(6,735)
<b>Total comprehensive (expense)/income attributable to:</b>			
Equity holders of the parent	(699)	901	(6,617)
Non-controlling interests	(23)	(75)	(118)
	(722)	826	(6,735)

# Unaudited interim results

## Condensed consolidated balance sheet

	Notes	30/09/16 £'000	31/03/16 £'000 (audited)	30/09/15 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		20	27	34
'Available-for-sale' financial assets		164	151	163
Interests in associates		218	146	1,024
Legal case Investments		132	138	219
Loans		7,205	9,005	15,861
Finance leases		3,255	2,477	1,191
<b>Total non-current assets</b>		<b>10,994</b>	<b>11,944</b>	<b>18,492</b>
<b>Current assets</b>				
Loans		4,559	5,446	1,760
Finance leases		2,214	1,635	1,873
Trade and other receivables		925	810	1,271
Cash and cash equivalents		910	2,497	993
<b>Total current assets</b>		<b>8,608</b>	<b>10,388</b>	<b>5,897</b>
<b>Total assets</b>		<b>19,602</b>	<b>22,332</b>	<b>24,389</b>
<b>Current liabilities</b>				
Borrowings		(5,226)	(3,935)	(2,303)
Trade and other payables		(1,603)	(3,051)	(1,545)
<b>Total current liabilities</b>		<b>(6,829)</b>	<b>(6,986)</b>	<b>(3,848)</b>
<b>Non-current liabilities</b>				
Borrowings		(11,386)	(13,237)	(15,371)
<b>Total non-current liabilities</b>		<b>(11,386)</b>	<b>(13,237)</b>	<b>(15,371)</b>
<b>Total liabilities</b>		<b>(18,215)</b>	<b>(20,223)</b>	<b>(19,219)</b>
<b>Net assets</b>		<b>1,387</b>	<b>2,109</b>	<b>5,170</b>
<b>Equity</b>				
Share capital		3,685	3,685	2,021
Share premium		14,332	14,332	11,497
Accumulated losses		(16,444)	(15,732)	(8,172)
Fair value reserve		(63)	(76)	(119)
Equity attributable to owners of the parent		1,510	2,209	5,227
Non-controlling interests	8	(123)	(100)	(57)
<b>Total equity</b>		<b>1,387</b>	<b>2,109</b>	<b>5,170</b>

## Unaudited interim results

### Condensed consolidated statement of changes in equity

	Attributable to owners of the parent company					Attributable to non-controlling interests	Total Equity
	Fair value reserve	Retained earnings	Share premium	Share capital	Total		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 March 2016</b>	(76)	(15,732)	14,332	3,685	2,209	(100)	2,109
'Available-for-sale' investments							
- Valuation gains taken to equity	12	–	–	–	12	–	12
– Loss on sale transferred to income statement	1	–	–	–	1	–	1
Net income recognised directly in equity	13	–	–	–	13	–	13
Loss for the period –continuing operations	–	(712)	–	–	(712)	(23)	(735)
Total comprehensive income	13	(712)	–	–	(699)	(23)	(722)
<b>At 30 September 2016</b>	(63)	(16,444)	14,332	3,685	1,510	(123)	1,387

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

# Unaudited interim results

## Condensed consolidated statement of changes in equity continued

	Attributable to owners of the parent company					Attributable to non-controlling interests	Total Equity
	Fair value reserve	Retained earnings	Share premium	Share capital	Total		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 March 2015</b>	(105)	(7,888)	11,497	2,021	5,525	(1,154)	4,371
'Available-for-sale' investments							
– Valuation losses taken to equity	(14)	–	–	–	(14)	–	(14)
– Loss on sale transferred to income statement	–	–	–	–	–	–	–
Net income recognised directly in equity	(14)	–	–	–	(14)	–	(14)
Profit for the period –continuing operations	–	915	–	–	915	(75)	840
Total comprehensive income	(14)	915	–	–	901	(75)	826
Contributions by and distributions to owners							
Value of employee services	–	19	–	–	19	–	19
	–	19	–	–	19	–	19
Reduction in non-controlling interests (note 8)	–	(1,218)	–	–	(1,218)	1,172	(46)
<b>At 30 September 2015</b>	(119)	(8,172)	11,497	2,021	5,227	(57)	5,170
'Available-for-sale' investments							
– Valuation losses taken to equity	(6)	–	–	–	(6)	–	(6)
– 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	43	–	–	–	43	–	43
Loss for the period –continuing operations	–	(7,561)	–	–	(7,561)	(43)	(7,604)
Total comprehensive income	43	(7,561)	–	–	(7,518)	(43)	(7,561)
Contributions by and distributions to owners							
Value of employee services	–	1	–	–	1	–	1
Issue of shares	–	–	2,835	1,664	4,499	–	4,499
	–	1	2,835	1,664	4,500	–	4,500
<b>At 31 March 2016</b>	(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.

## Unaudited interim results

### Condensed consolidated statement of cash flows

	6 months to 30/09/16 £'000	6 months to 30/09/15 £'000	Year to 31/03/16 £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation	(735)	840	(6,764)
<b>Adjustments for:</b>			
Depreciation	7	26	36
Share-based payments	-	19	20
Impairment of 'available-for-sale' financial assets	-	-	51
(Profit)/loss on disposal of 'available-for-sale' investments	1	-	(2)
Share of profits and losses of associates	(73)	59	898
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	669	599	1,252
Changes in working capital:			
(Increase) in trade and other receivables	(115)	(374)	(724)
(Decrease)/increase in trade and other payables	(1,409)	(339)	1,334
Proceeds from sale of 'available-for-sale' financial assets	-	-	5
Leases advanced	(2,688)	(2,132)	(4,118)
Leases repaid	1,331	700	1,702
Loans advanced	(6,383)	(7,307)	(15,875)
Loans advanced to related parties	-	(322)	-
Loans repaid	6,898	4,123	8,958
Loans repaid by related parties	2,125	-	300
<b>Cash used in operations</b>	<b>(372)</b>	<b>(4,108)</b>	<b>(8,065)</b>
Corporation tax paid	-	-	-
<b>Net cash used in operating activities</b>	<b>(372)</b>	<b>(4,108)</b>	<b>(8,065)</b>
<b>Cash flow from investing activities</b>			
Disposal of assets classified as held for sale, including part repayment of deferred consideration	47	-	2,216
Return of seed capital in legal case investments	6	13	94
Distribution of profits from related parties	-	-	39
Acquisition of interest in associate	-	(193)	-
Purchase of property, plant and equipment	-	(20)	(23)
Purchase of preference shares in subsidiary	-	-	(2,010)
Purchase of additional shares in related company	-	-	(193)
<b>Net cash used in investing activities</b>	<b>53</b>	<b>(200)</b>	<b>123</b>
<b>Cash flow from financing activities</b>			
Proceeds from the issue of ordinary shares	-	-	4,499
Proceeds from the issue of preference shares by subsidiary	-	5,000	5,000
Loans drawn down	6,010	8,084	17,888
Repayment of loans	(6,570)	(8,557)	(16,863)
Interest paid	(708)	(447)	(1,306)
<b>Net cash from financing activities</b>	<b>(1,268)</b>	<b>4,080</b>	<b>9,218</b>



## Unaudited interim results

### Condensed consolidated statement of cash flows continued

<b>Net (decrease)/ increase in cash and cash equivalents</b>	(1,587)	(228)	1,276
Cash and cash equivalents brought forward	2,497	1,221	1,221
<b>Net cash and cash equivalents</b>	<b>910</b>	<b>993</b>	<b>2,497</b>
Cash and cash equivalents	910	993	2,497
Bank overdraft	-	-	-
<b>Net cash and cash equivalents</b>	<b>910</b>	<b>993</b>	<b>2,497</b>

# Notes to condensed financial statements

## 1 Basis of preparation

1.1 These interim financial results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 and have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. Statutory accounts for the year ended 31 March 2016 were approved by the directors on 23 September 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement within the meaning of section 498 of the Companies Act 2006.

### 1.2 Accounting policies

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which were prepared in accordance with IFRS as adopted by the European Union. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 March 2016.

### 1.3 Adoption of new standards and interpretations

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

IFRS 8 – (Annual improvements) – Operating Segments; and  
IFRS 13 – (Annual improvements) – Fair Value Measurement

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

### 1.4 Consistency

The interim report, including the financial information contained therein is the responsibility of, and was approved by, the directors on 22 December 2016. The AIM Rules require that accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing annual accounts except where any changes, and the reason for them, are disclosed. There have been no changes to the Group's accounting policies for the period ended 30 September 2016.

## 2 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 operating platforms: lease and professions funding and, in prior periods, trade financing and legal case funding. The COLG segment includes the Group's central functions and an investment portfolio.

# Notes to condensed financial statements

Continued

## 2 Segmental reporting continued

### Pre-tax profit and loss 6 months ended 30/09/16

	Revenue £'000	Operating profit/(loss) £'000	Share of profits and losses of associates £'000	Finance expense £'000	Profit/(loss) before tax £'000
<b>COLG</b>					
Intra-Group	81	134		(58)	76
Other	2	(688)		(33)	(721)
	83	(554)	-	(91)	(645)
<b>Platforms</b>					
Lease and professions financing					
CAML/ PFL	1,225	310	-	(463)	(153)
Other	99	160	73	(173)	60
Other	-	3	-	-	3
Intra-Group	(81)	(58)	-	58	-
	1,326	(139)	73	(669)	(735)

The Loss from operations in the Consolidated income statement of £66,000 comprises the loss of £139,000 less the profit of £73,000 as shown above.

### Pre-tax profit and loss 6 months ended 30/09/15

	Revenue £'000	Operating profit/(loss) £'000	Profit on the disposal of assets classified as held for sale £'000	Share of profits and losses of associates £'000	Finance expense £'000	Profit/(loss) before tax £'000
<b>COLG</b>						
Intra-Group	380	422			(58)	364
Other	9	(409)	(158)		(135)	(702)
	389	13	(158)	-	(193)	(338)
<b>Platforms</b>						
Trade financing –TFPL *	229	229		(79)	(229)	(79)
Lease and professions financing						
CAML/ PFL	726	62		-	(306)	(244)
Other	158	216		20	(249)	(13)
Legal case funding	5	-		-	-	-
Other	-	(32)		-	(10)	(42)
Intra-Group	(380)	(388)		-	388	-
<b>Others</b>						
Assets classified as held for sale	-	-	1,556	-	-	1,556
	1,127	100	1,398	(59)	(599)	840

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

The Profit from operations in the Consolidated income statement of £1,439,000 is the sum of £100,000 and £1,398,000 less £59,000 as shown above.

# Notes to condensed financial statements

Continued

## 2 Segmental reporting continued

### Consolidated Net Assets at 30/09/16

		£'000	Total £'000
COLG	'Available-for-sale' financial assets		164
	Legal case investments		132
Platforms	Lease and professions financing	2,010	
	Other	150	
			2,160
	Net liabilities		(1,040)
			1,416
	Other net liabilities of subsidiary companies		(29)
	Consolidated net assets		1,387

### Consolidated Net Assets at 31/03/16

		£'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)
			2,136
	Other net liabilities of subsidiary companies		(27)
	Consolidated net assets		2,109

### Consolidated Net Assets at 30/09/15

		£'000	Total £'000
COLG	'Available-for-sale' financial assets		163
	Legal case investments		219
Platforms	Trade financing	6,668	
	Lease and professions financing	3,557	
	Legal case funding	132	
	Other	150	
			10,507
	Net liabilities		(2,960)
			7,929
	Other net liabilities of subsidiary companies		(2,759)
	Consolidated net assets		5,170

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



## Notes to condensed financial statements

Continued

### 3 Administrative expenses

	6 months to 30/09/16 £'000	6 months to 30/09/15 £'000	Year to 31/03/16 £'000
Staff costs			
Payroll expenses	578	652	1,338
Termination costs of parent company executives	148	-	77
Other staff costs	40	46	69
Establishment costs			
Property costs	157	101	234
Other	282	198	444
Auditor's remuneration	34	39	89
Legal fees	17	15	17
Consultancy fees	173	51	98
Other professional fees	56	31	108
Depreciation	7	26	36
Foreign exchange loss	-	3	2
Total	1,492	1,162	2,512

### 4 Profit on the disposal of assets classified as held for sale

The profit of £1,398,000 in the prior period arose from the disposal on 29 April 2015 of the Company's associate Therium, together with its 50% associate Novitas Loans Limited and its subsidiary Novitas Futures Limited, for a total consideration of £3,390,000.

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

### 5 Taxation

Because the charge for taxation is for a period of less than one year, the provision is based on the best estimate of the effective rate for the full year.

### 6 Dividends

The directors have not declared an interim dividend for the year ending 31 March 2017 (2015/16: nil). The directors did not recommend payment of a dividend for the year ended 31 March 2016.



# Notes to condensed financial statements

Continued

## 7 Earnings per share

The basic earnings per share is calculated by dividing the (loss)/ profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period less those held in treasury and in the Employee Benefit Trust.

The basic earnings per share is as follows:

	30/09/16	30/09/15	31/03/16
(Loss)/ profit attributable to equity holders (£'000)	(712)	915	(6,646)
Weighted average number of ordinary shares in issue ('000)	36,426	19,780	27,284
Basic earnings per share	(1.96)p	4.62p	(24.36)p
Diluted earnings per share	(1.96)p	4.58p	(24.36)p

## 8 Non-controlling interests

	30/09/16 £'000	31/03/16 £'000	30/09/15 £'000
At 1 April	(100)	(1,154)	(1,154)
Loss attributable to non-controlling interests	(23)	(118)	(75)
Transferred to equity on acquisition of non-controlling interests (a)	-	1,172	1,172
<b>At end of period</b>	<b>(123)</b>	<b>(100)</b>	<b>(57)</b>

(a) The transfer to equity in the prior year arose from the capital restructuring of Credit Asset Management Limited ("CAML") in July 2015 when, as part of the restructuring plan, the Company sold its wholly-owned subsidiary, Professions Funding Limited ("PFL") to CAML in exchange for newly-issued ordinary shares and, in addition, converted the preference shares 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 interest.

Under IFRS3, such an increase in a parent's ownership interest in a subsidiary was 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 was written off to equity as a reserve movement. The amount of £1,218,000 written off to equity included goodwill of £46,000 previously carried in relation to PFL.

# Notes to condensed financial statements

Continued

## 9 Related party transactions

### Amounts due from associates

	30/09/16 £'000	31/03/16 £'000	30/09/15 £'000
Amounts due from associates are included in:			
<b>Non-current assets</b>			
Loans	8,140	10,131	10,301
Less: provisions for loans	(6,015)	(5,881)	-
Loans	2,125	4,250	10,301
<b>Current assets</b>			
Trade and other receivables	568	473	295
Less: provision for trade and other receivables	(525)	(399)	-
	43	74	295
<b>Total</b>	<b>2,202</b>	<b>4,324</b>	<b>10,596</b>

All the provisions relate to amounts due from Trade Finance Partners Limited ("TFPL"). As full provision has been made against amounts arising in the six months to 30 September 2016, the income arising has not been recognised in the consolidated income statement for the period.

## 10 Commitments

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

## 11 Financial risk management

Notes 31 and 32 to the annual financial statements to 31 March 2016 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk, interest rate risk, price risk, foreign exchange risk and liquidity risk.

The 2016 Annual Report identified the main risk factors around the cash flow forecast in the Strategic Report. The risk factors are broadly unchanged as are the key assumptions made in the cash flow forecast for the period to the end of March 2018 which forecast working capital headroom of c£0.22m at that date.

The Company has a revolving credit facility of £4.8m with a maturity of 30 September 2017. £3.5m of the facility was undrawn at 30 September 2016.

# Notes to condensed financial statements

Continued

## 12 Financial instruments

### Price risk

The Group is subject to price risk on its 'available-for-sale' financial assets, including its legal case investments as well as its portfolio of financial assets. There is a concentration risk in the natural resources and technology sectors as the majority of the investment portfolio of £164,000 is invested in these sectors. At 30 September 2016, 8% 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 the valuation techniques described in note 3 of the annual financial statements to 31 March 2016.

The fair value of investments in legal funds is taken to be cost because at 30 September 2016 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 30 September 2016:

	Level 1 £'000	Level 3 £'000	Total £'000
'Available-for-sale' financial assets			
Equity securities	151	13	164
Investments in legal cases	–	132	132
	151	145	296

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
Investments in legal cases	–	138	138
	138	151	289

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

## Notes to condensed financial statements

Continued

### 12 Financial instruments continued

The movement on level 3 assets is as follows:

	30/09/16 £'000	31/03/16 £'000	30/09/15 £'000
Balance at beginning of period	151	276	276
Impairment	-	(29)	(6)
Disposals	(6)	(96)	(13)
	145	151	257

By order of the Board

Paul Milner  
Director  
22 December 2016