CITY OF LONDON
INVESTMENT GROUP PLC

HALF YEAR REPORT 2011/12

City of London Investment Group PLC is an established asset management group which has built its reputation, with an institutional client focus, by specialising in Emerging Market closed-end fund investment. In recent years the Group has successfully added equities (Natural Resources and Emerging Markets) and Developed Market closed-end fund strategies to its product range. City of London operates its business from offices in London, the US, Singapore and Dubai.

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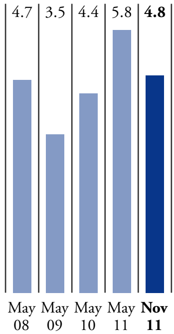
Half year highlights

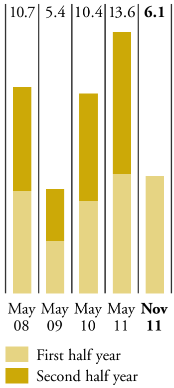
- Revenues stable at £17.2 million (2010: £17.2 million).
- Funds under Management ("FuM") of US$4.8 billion (£3.0 billion) at 30th November 2011. This compares to US$5.8 billion (£3.5 billion) at the beginning of this financial year on 1st June 2011 and US$5.5 billion (£3.6 billion) at 30th November 2010. The MSCI Emerging Markets Index (MXEF) declined by 19.3% over the period compared to the 17.2% fall in FuM in US dollar terms.
- Profit before tax of £6.1 million, including a £0.4 million gain on the sale of an investment (2010: £5.7 million, including £0.4 million of main market Listing costs).
- Maintained interim dividend of 8p per share payable on 27th February 2012 to shareholders on the register on 10th February 2012.
- Cash and cash equivalents at the period end of £5.9 million (2010: £3.1 million).

"We have carefully and deliberately built our business to be resilient in the face of the sometimes extreme volatility inherent in investing in emerging and frontier markets around the world. Our aversion to risk has enabled us to build a loyal client base by being able to offer long-term benchmark outperformance in a risky asset class. It is our ability to retain and grow the client base which allows us to pay consistent dividends to reward our shareholders."
Andrew Davison, Chairman

Funds under Management US$bn



Pre-tax profit £m



Note: Excludes listing costs

Chairman's statement

"As we begin the second half of the year, the outlook for emerging markets remains opaque but the Board is confident that the Group has done all that it can to structure the business to deliver continuing value to clients, staff and shareholders."

Despite the sometimes extreme volatility of emerging markets in the first half of our financial year, the Group has performed creditably in financial terms. Our ability to deal with declining and volatile markets whilst still generating profits and dividends for shareholders illustrates well the Group's risk averse approach and our relentless focus on keeping fixed costs to a minimum.

Total Funds under Management (FuM) at 30th November 2011, our half-year end, were US$4.8 billion (£3.0 billion). This compares to US$5.8 billion (£3.5 billion) at the beginning of this financial year on 1st June 2011 and US$5.5 billion (£3.6 billion) at 30th November 2010. The MSCI Emerging Markets Index (MXEF) declined by 19.3% over our first half-year as against the 17.2% fall in FuM in US dollar terms. As we announced during the period under review, although markets have been very volatile, clients remained loyal with net new inflows of US$41.4 million, made up of US$281.8 million of redemptions and US$323.2 million of new allocations. At the most recent month end, 31st December, FuM stood at US$4.7 billion.

Results – unaudited

Revenues for the six months to 30th November 2011 were unchanged at £17.2 million (2010: £17.2 million). The average net fee, after allowing for commissions payable, weighted across the portfolio, is currently 86 basis points. Given our fixed cost base, which has remained stable at some £0.9 million per month, this makes operating profitability (before profit sharing of 30%) remarkably predictable with a high level of visibility. We announced in an Interim Management Statement on 5th December 2011 that we expected profit before taxation for the six months ended 30th November 2011 to be approximately £6.1 million. The outturn was exactly in line with profit before tax of £6.1 million (2010: £6.1 million before Listing costs of £0.4 million incurred in that period).

This year's profit before tax includes a gain of US$0.7 million (£0.4 million) on the sale of an investment in options on unquoted equity, which could potentially increase during the second half year to a total gain of US$1.2 million (£0.7 million), in accordance with a contingency clause in the sale agreement. The Group has not previously highlighted this investment as its cost and prior value were deemed immaterial.

Administrative expenses increased by just 5% to £11.6 million (2010: £11.0 million before the exceptional costs of the upgrade to the main market of £0.4 million). Administrative expenses include both variable costs as well as fixed overheads, with variable costs representing some 53% of the total (2010: 56%) including profit-share distribution. Variable costs also include commission payable to our ex-third party marketing consultant, North Bridge Capital, of £2.6 million (2010: £2.7 million).

The commissions payable to North Bridge Capital will begin to fall significantly from 2014 as a result of our decision to bring marketing in-house. We have recruited two additional experienced marketing executives during the period – one to broaden our reach in the US and the other to focus on European markets. They are already making a real contribution to our profile generally and to FuM via new mandates for our Natural Resources product.

Basic earnings per share, after a 33% tax charge of £2.0 million (2010: £1.8 million representing 31% of profit before tax), were 16.2p (2010: 16.0p). Diluted earnings per share were 15.7p (2010: 15.4p).

Dividends

In a statement released on the day of our Annual General Meeting on 3rd October 2011, we said that the Board expected to maintain or increase the dividend during the current year unless there was a further very significant deterioration in markets over the remainder of the year. We also said that this may require a relaxation of the Group's 1.5x dividend cover policy, which, we said, the Group was well placed to accommodate in terms of both capital adequacy and liquidity.

The Board has decided to pay a maintained interim dividend of 8p per share. The dividend will be paid on 27th February 2012 to shareholders on the register on 10th February 2012. Our dividend payment policy is based on a split of one third/two thirds between the interim and the final. In the absence of a marked deterioration in emerging markets, this means that shareholders can expect to receive a minimum payment of 16p as a final dividend with upside available depending on the performance of, and outlook for, emerging markets.

Board

At the beginning of the financial year we appointed a new US based Non-executive Director, Rian Dartnell. Rian is Chief Investment Officer for Granite Associates, having spent his career managing global multi-asset class funds. Effective today, George Robb has retired from the Board as a Non-executive Director, and is replaced by Lynn Ruddick. Lynn is Non-executive Chairman or Director of a number of investment trusts, as well as serving as an investment committee member or trustee of two pension plans. She is also a former Chairman of the Investment Committee of the National Association of Pension Funds.

George Robb has been a Non-executive Director of City of London since 1997, with a brief gap in 2004-5. As a long term Board member, and shareholder, George's contribution to the development of the Group has been important and we will miss his participation in our discussions. On behalf of the Directors, I wish George a long and happy retirement.

Outlook

The management team and Board of City of London have carefully and deliberately built our business to be resilient in the face of the sometimes extreme volatility inherent in investing in emerging and frontier markets around the world. Our aversion to risk has enabled us to build a loyal client base by being able to offer long-term benchmark outperformance in a risky asset class. It is our ability to retain and grow the client base which allows us to pay consistent dividends to reward our shareholders.

As we begin the second half of the year, the outlook for emerging markets remains opaque but the Board is confident that the Group has done all that it can to structure the business to deliver continuing value to clients, staff and shareholders.

A J Davison

Andrew Davison
Chairman
19th January 2012

Chief Executive Officer's review

"Bearing in mind that our Funds under Management ("FuM") have been significantly impacted by the adverse market conditions, we consider that we have done a relatively good job of controlling our costs. Very early this year we battened down the hatches as we developed the view internally that we could be in for a spell of below budget income."

This has been a tough half year in terms of both investment performance and also the firm's results.

I thought that the best way to confront this was by going into some of the details associated with what we have been doing in our attempt to mitigate these issues.

Investment performance

For us, our investment performance has been sub-par for 2011. This is obviously an issue that we have needed to confront as we are a performance driven firm. If we are not either first or second quartile over a cycle, when compared with our Emerging Markets (EM) peer group, we will over a period lose clients, suffer a potentially reduced margin and in a worst case scenario create instability. As a result we have been digging into our investment process to see if there are structural shifts in terms of the pricing of the Closed End Fund (CEF) industry, or if there were weaknesses within the process.

Regarding our industry, it was noticeable that we had seen significant growth of new EM CEFs in the period 2009 and 2010 which while good for us from a long term perspective, was just about the worst thing that could have happened when the recent downturn arrived at the beginning of April 2011. At December 2011 year end, while MXEF, the benchmark that we usually use, is down around 20% from this year's high, many recently listed CEFs are down significantly more. Some of the larger examples of recently listed CEFs and their price performance since launch would include (using their "tickers") FP RO (-35%), IHD US (-33%), FCSS LN (-38%), IAEM LN (-43%) and CAF US (-28%). Falls of this order of magnitude have an impact on the valuations of older established CEFs, with the net effect of creating generally wider discounts. While this is bad for our investment performance in the short term, it provides us with increased investment opportunities in the longer term, as mean reversion of discount valuations is an inevitable outcome and something that has been going on within the CEF sector for over 150 years. Additional icing on the cake is provided in the short term by buy backs, tender offers, open endings and liquidations, and as you would expect we have both participated in discussions and transactions as the sector comes back into balance in terms of supply and demand and in terms of valuations. This is an inevitable cleansing process and to a great extent it will counter some of the issuance that was referenced earlier. As an example of this change in valuation, over the past year the size weighted average discount of our portfolios widened from around 8.5% at the end of 2010 to around 12% at the end of 2011.

In addition as we reviewed our investment process we spent a lot of time looking at our systems and controls to see if there were other aspects of our work that we could undertake more effectively or efficiently.

Obviously all markets, not just Emerging Markets or CEFs, are becoming more efficiently priced as time goes by. Computers are faster and can store more data and retrieve it faster, and humans can become better trained. As the years go by an effective amalgam of the two is very powerful and our job has to be to stay ahead of the curve created by this powerful partnership. In addition we have undertaken a comprehensive review of our process in the two offices that have the greatest exposure to client assets by CEF exposure. At present these are the UK (42%) and the US (45%) offices, which as you would expect at present, bearing in mind the stress emanating from G7, is where, from our point of view, the cheapest CEF products can be found.

Emerging Markets

While markets have fallen, the current situation is very different from that of 1997/8 and 2000/1, when the Emerging Markets were themselves the creator of the problems, and as a result fell by over 50%. This reversal of roles is going to have very interesting implications as the European debt issues are confronted. Many trophy assets, assets that would not have otherwise have become available, are destined for ownership in some of the better run Emerging Markets. European government owned infrastructure and many publically traded corporations will find new owners, in a reversal of earlier roles when it was G7 that assisted the Emerging Markets when they themselves were suffering from leverage, overpriced (often coincidentally also pegged!) currencies, balance of payments problems, a lack of foreign currency reserves and in many instances over capacity.

As far as MXEF (a good proxy for measuring us) is concerned it would seem as if we are approaching an inflection point. Historically MXEF has tracked the Dow (the S&P works as well) but with a significantly higher beta. This high beta relative to the Dow was evident for a significant period of time until around one year ago. From around last January (2011), however, it is noticeable that the Dow has outperformed MXEF by around 20%. While we would not suggest that precedent automatically holds forever we would expect, particularly based upon current market conditions, that MXEF will both catch up and overtake the Dow over the next several months.

By way of background the issues that we would see as recent headwinds to our asset class are to a great extent behavioural and emotional. If one considers rationally the historical pricing of risk assets, current estimates of EM earnings and volatility (VIX), it would seem quite likely that we will in the not too distant future redevelop the historical characteristics of our asset class. We would suggest that this inflection point is significantly closer than market consensus would indicate.

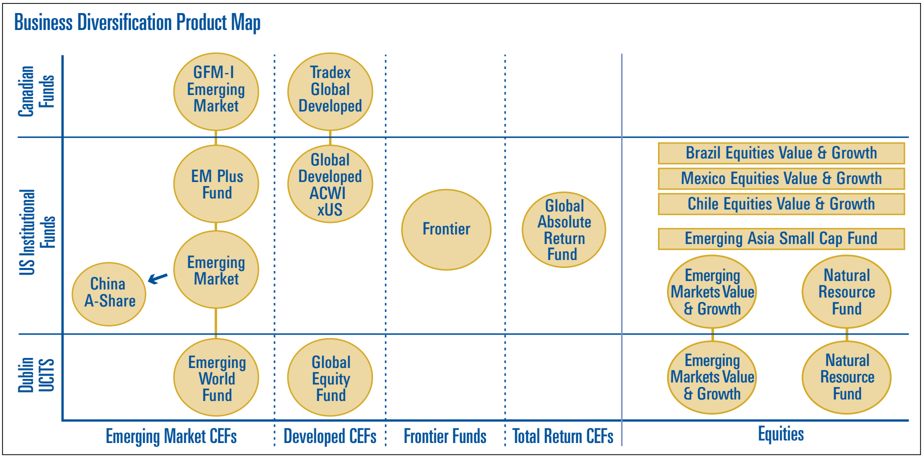
Our asset class, at least as far as institutional support is concerned, remains resilient. We cannot speak for other Emerging Markets managers, but as far as *our* clients are concerned they have remained robust in their support both regarding the Emerging asset class itself and for what we do. Obviously after a period of disappointing performance only time will tell, but at least at present our clients continue to take a long term view of the asset class.

Interim results

Bearing in mind that our FuM have been significantly impacted by the adverse market conditions, we consider that we have done a relatively good job of controlling our costs. Very early in 2011 we battened down the hatches as we developed the view internally that we could be in for a spell of below budget income. Our main focus was on expenses, and specifically those that we considered could be cut that would not damage our long term business plans. As an example, in an uncertain market it's possible to place yourself in the position of a potential client. That potential client is stressed, is possibly firefighting in other asset classes and is more interested in sorting out some of the immediate problems associated with his (say) Foundation's portfolio. Is there actually any point in this environment in encouraging the marketing group to get on planes, and to book accommodation, along with all of the associated expenses of being on the road, when history tells you that you are wasting your time (and shareholders' money)? Better to continue to raise profile on the telephone and to keep expenses down. It is also fair to say that potential clients don't want to take meetings anyway in this environment.

Chief Executive Officer's review

Continued



I must admit that this is a different approach from that adopted generally within our industry where activity (potentially expensive and wasteful) needs to be justified. But our attitude is that we should look at the likelihood of success before committing resources.

Other sources of savings have been staff, Bloomberg feeds, travel and accommodation, subscriptions to publications, renegotiated communication services and third party vendor contracts.

An additional point that is well worth making is that while this has been a difficult year for our Equities products, our Market Neutral, Frontier and Developed CEF funds (see table above) have done very well and are a potential source of additional FuM. They have all come through this period very well. We are as a result bringing forward our marketing plans in this regard.

Enhanced Investment Products

Over the years we have looked at many opportunities for investment. To date none have been developed to the point of merger or acquisition. From time to time we consider investment in fund management businesses where we feel that over a period we could add value. Such an opportunity developed back in 2005, when we invested US$75,000 in options over a 49% position in Enhanced Investment Products Limited ("EIP"), a Hong Kong based fund management business. As happens so often in our industry, objectives alter, and as a result we agreed a few months ago to sell our options back to EIP's principal shareholder for cash. The net result is that we have now replaced our original US$75,000 investment with either US$750,000 or US$1.25m depending on certain conditions which relate to the development of EIP's business in the next few months. We have so far taken the minimum gain of US$675,000 to the income statement, and depending on the outcome re the conditions there is the potential for an additional gain of US$500,000 to be taken before the end of this financial year.

Dividend

Taking into account the EIP gain, the profit for the first six months of this financial year has almost precisely matched that of the equivalent period last year, and the Board has decided that the interim dividend should accordingly be maintained at 8 pence per share.

Barry Olliff
Chief Executive Officer
19th January 2012

Consolidated income statement

For the six months ended 30th November 2011

	Note	Six months ended 30th Nov 2011 (unaudited) £	Six months ended 30th Nov 2010 (unaudited) £	Year ended 31st May 2011 (audited) £
Revenue	2	17,232,079	17,195,382	36,494,163
Administrative expenses				
Staff costs		5,991,205	5,532,979	11,685,867
Commissions payable		2,663,695	2,772,803	5,785,441
Other administrative expenses		2,793,917	2,552,430	5,266,342
Main market listing costs		–	437,778	437,778
Depreciation and amortisation		147,754	170,317	370,902
		(11,596,571)	(11,466,307)	(23,546,330)
Operating profit		5,635,508	5,729,075	12,947,833
Interest receivable and similar income	3	468,786	(45,048)	122,322
Impairment of seed investments		–	49,429	79,372
Profit before tax		6,104,294	5,733,456	13,149,527
Income tax expense		(2,022,156)	(1,803,718)	(4,380,204)
Profit for the period		4,082,138	3,929,738	8,769,323
Basic earnings per share	4	16.2p	16.0p	35.1p
Diluted earnings per share	4	15.7p	15.4p	34.0p

Consolidated statement of comprehensive income

For the six months ended 30th November 2011

	Six months ended 30th Nov 2011 (unaudited) £	Six months ended 30th Nov 2010 (unaudited) £	Year ended 31st May 2011 (audited) £
Profit for the period	4,082,138	3,929,738	8,769,323
Fair value (losses)/gains on available-for-sale investments*	(704,442)	389,477	461,154
Release of fair value (gains) on disposal of available-for-sale investments*	–	–	(62,394)
Other comprehensive income	(704,442)	389,477	398,760
Total comprehensive income for the period attributable to equity holders of the company	3,377,696	4,319,215	9,168,083

*Net of deferred tax

Consolidated statement of financial position

30th November 2011

	Note	30th Nov 2011 (unaudited) £	30th Nov 2010 (unaudited) £	31st May 2011 (audited) £
Non-current assets				
Property and equipment		719,347	581,462	543,748
Intangible assets		375,049	386,414	363,684
Other financial assets		24,676	76,618	73,210
Deferred tax asset		858,716	1,531,823	1,380,017
		1,977,788	2,576,317	2,360,659
Current assets				
Trade and other receivables		4,395,060	4,811,073	5,576,011
Available-for-sale financial assets		5,017,689	6,324,109	5,807,787
Other financial assets		–	1,028	–
Cash and cash equivalents		5,878,235	3,065,310	6,104,673
		15,290,984	14,201,520	17,488,471
Current liabilities				
Trade and other payables		(3,589,344)	(3,463,265)	(4,013,419)
Current tax payable		(979,787)	(184,433)	(1,340,386)
Creditors, amounts falling due within one year		(4,569,131)	(3,647,698)	(5,353,805)
Net current assets		10,721,853	10,553,822	12,134,666
Total assets less current liabilities		12,699,641	13,130,139	14,495,325
Non-current liabilities				
Deferred tax liability		–	(256,638)	(235,129)
Net assets		12,699,641	12,873,501	14,260,196
Capital and reserves				
Called up share capital		268,684	266,397	268,584
Share premium account		1,977,584	1,920,408	1,975,084
Investment in own shares	5	(4,637,273)	(2,786,808)	(4,183,659)
Revaluation reserve		(35,231)	659,928	669,211
Share option reserve		1,146,553	1,737,492	1,621,936
Capital redemption reserve		18,562	18,562	18,562
Retained earnings		13,960,762	11,057,522	13,890,478
Total equity		12,699,641	12,873,501	14,260,196

Consolidated statement of changes in equity

For the six months ended 30th November 2011

	Share capital £	Share premium account £	Investment in own shares £	Revaluation reserve £	Share option reserve £	Capital redemption reserve £	Retained earnings £	Total £
At 1st June 2011	268,584	1,975,084	(4,183,659)	669,211	1,621,936	18,562	13,890,478	14,260,196
Profit for the period	–	–	–	–	–	–	4,082,138	4,082,138
Comprehensive income	–	–	–	(704,442)	–	–	–	(704,442)
Total comprehensive income	–	–	–	(704,442)	–	–	4,082,138	3,377,696
Transactions with owners								
Share option exercise	100	2,500	59,962	–	(6,052)	–	6,052	62,562
Purchase of own shares	–	–	(513,576)	–	–	–	–	(513,576)
Share-based payment	–	–	–	–	96,175	–	–	96,175
Deferred tax	–	–	–	–	(565,506)	–	(2,261)	(567,767)
Current tax on share options	–	–	–	–	–	–	25,817	25,817
Dividends paid	–	–	–	–	–	–	(4,041,462)	(4,041,462)
Total transactions with owners	100	2,500	(453,614)	–	(475,383)	–	(4,011,854)	(4,938,251)
As at 30th November 2011	**268,684**	**1,977,584**	**(4,637,273)**	**(35,231)**	**1,146,553**	**18,562**	**13,960,762**	**12,699,641**

	Share capital £	Share premium account £	Investment in own shares £	Revaluation reserve £	Share option reserve £	Capital redemption reserve £	Retained earnings £	Total £
At 1st June 2010	259,688	1,640,667	(3,071,259)	270,451	1,721,492	18,562	9,768,755	10,608,356
Profit for the period	–	–	–	–	–	–	3,929,738	3,929,738
Comprehensive income	–	–	–	389,477	–	–	–	389,477
Total comprehensive income	–	–	–	389,477	–	–	3,929,738	4,319,215
Transactions with owners								
Share option exercise	6,709	279,741	284,451	–	(94,411)	–	94,411	570,901
Share-based payment	–	–	–	–	53,778	–	–	53,778
Deferred tax	–	–	–	–	56,633	–	(34,639)	21,994
Current tax on share options	–	–	–	–	–	–	1,039,194	1,039,194
Dividends paid	–	–	–	–	–	–	(3,739,937)	(3,739,937)
Total transactions with owners	6,709	279,741	284,451	–	16,000	–	(2,640,971)	(2,054,070)
As at 30th November 2010	266,397	1,920,408	(2,786,808)	659,928	1,737,492	18,562	11,057,522	12,873,501

Consolidated statement of changes in equity

Continued

	Share capital £	Share premium account £	Investment in own shares £	Revaluation reserve £	Share option reserve £	Capital redemption reserve £	Retained earnings £	Total £
At 1st June 2010	259,688	1,640,667	(3,071,259)	270,451	1,721,492	18,562	9,768,755	10,608,356
Profit for the year	–	–	–	–	–	–	8,769,323	8,769,323
Comprehensive income	–	–	–	398,760	–	–	–	398,760
Total comprehensive income	–	–	–	398,760	–	–	8,769,323	9,168,083
Transactions with owners								
Share option exercise	8,896	334,417	414,431	–	(131,002)	–	131,002	757,744
Purchase of own shares	–	–	(1,526,831)	–	–	–	–	(1,526,831)
Share-based payment	–	–	–	–	130,241	–	–	130,241
Deferred tax	–	–	–	–	(98,795)	–	(49,575)	(148,370)
Current tax on share options	–	–	–	–	–	–	1,057,573	1,057,573
Dividends paid	–	–	–	–	–	–	(5,786,600)	(5,786,600)
Total transactions with owners	8,896	334,417	(1,112,400)	–	(99,556)	–	(4,647,600)	(5,516,243)
As at 31st May 2011	268,584	1,975,084	(4,183,659)	669,211	1,621,936	18,562	13,890,478	14,260,196

Consolidated cash flow statement

For the six months ended 30th November 2011

	Six months ended 30th Nov 2011 (unaudited) £	Six months ended 30th Nov 2010 (unaudited) £	Year ended 31st May 2011 (audited) £
Cash flow from operating activities			
Operating profit	5,635,508	5,729,075	12,947,833
Adjustments for:			
Depreciation charges	159,119	147,587	325,442
Amortisation of intangible assets	(11,365)	22,730	45,460
Share-based payment charge	96,175	53,778	130,241
Translation adjustments	(23,622)	3,877	53,320
(Profit) on disposal of fixed assets	(72)	–	–
Cash generated from operations before changes in working capital	5,855,743	5,957,047	13,502,296
Decrease/(increase) in trade and other receivables	1,342,096	(445,074)	(1,210,012)
(Decrease)/increase in trade and other payables	(424,075)	268,060	125,638
Cash generated from operations	6,773,764	5,780,033	12,417,922
Interest received	33,695	16,066	28,258
Taxation paid	(2,391,025)	(2,090,979)	(2,819,116)
Cash flows from operating activities	4,416,434	3,705,120	9,627,064
Cash flow from investing activities			
Purchase of property and equipment	(334,966)	(41,392)	(181,533)
Proceeds from sale of property and equipment	320	–	–
Purchase of non-current financial assets	–	(643)	(608)
Proceeds from sale of non-current financial assets	322,289	–	–
Purchase of current financial assets	–	(2,400,938)	(2,307,698)
Proceeds from sale of current financial assets	–	60,204	560,204
Cash flows from investing activities	(12,357)	(2,382,769)	(1,929,635)
Cash flow from financing activities			
Proceeds from issue of ordinary shares	2,600	286,450	343,313
Ordinary dividends paid	(4,041,462)	(3,739,937)	(5,786,600)
Purchase of own shares by employee share option trust	(513,576)	–	(1,526,831)
Proceeds from sale of own shares by employee share option trust	59,962	284,451	414,431
Cash flows from financing activities	(4,492,476)	(3,169,036)	(6,555,687)
Net (decrease)/increase in cash and cash equivalents	(88,399)	(1,846,685)	1,141,742
Cash and cash equivalents at start of period	6,104,673	4,774,473	4,774,473
Effect of exchange rate changes	(138,039)	137,522	188,458
Cash and cash equivalents at end of period	5,878,235	3,065,310	6,104,673

Notes

1 Basis of preparation and significant accounting policies

The financial information contained herein is unaudited and does not comprise statutory financial information within the meaning of section 434 of the Companies Act 2006. The information for the year ended 31st May 2011 has been extracted from the latest published audited accounts. The report of the independent auditor on those financial statements contained no qualification or statement under s498(2) or (3) of the Companies Act 2006.

These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 "Interim Financial Reporting" as adopted by the European Union. The accounting policies are consistent with those set out and applied in the statutory accounts of the Group for the period ended 31st May 2011.

2 Segmental analysis

The directors consider that the Group has only one reportable segment, namely asset management, and hence only analysis by geographical location is given.

	USA £	Canada £	UK £	Europe (ex UK) £	Other £	Total £
Six months to 30th Nov 2011						
Revenue	14,754,905	324,215	1,279,471	873,488	–	17,232,079
Non-current assets:						
Property and equipment	454,453	–	206,827	–	58,067	719,347
Intangible assets	375,049	–	–	–	–	375,049
Six months to 30th Nov 2010						
Revenue	14,064,376	835,816	1,162,185	1,133,005	–	17,195,382
Non-current assets:						
Property and equipment	261,348	–	208,804	–	111,310	581,462
Intangible assets	386,414	–	–	–	–	386,414
Year to 31st May 2011						
Revenue	29,968,449	1,708,514	2,618,857	2,198,343	–	36,494,163
Non-current assets:						
Property and equipment	265,802	–	193,824	–	84,122	543,748
Intangible assets	363,684	–	–	–	–	363,684

The Group has classified revenue based on the domicile of its clients and non-current assets based on where the assets are held. Any individual client generating revenue of 10% or more would be disclosed separately, as would assets in a foreign country if they are material.

3 Interest receivable and similar income

	Six months ended 30th Nov 2011 (unaudited) £	Six months ended 30th Nov 2010 (unaudited) £	Year ended 31st May 2011 (audited) £
Interest	33,695	16,066	28,258
Gain/(loss) on sale of investments	435,091	(61,114)	94,064
	468,786	(45,048)	122,322

This year's interim figure includes a gain of US$675,000 (£435,091) on the sale of an investment in options on unquoted equity, which could potentially increase during the second half of the year to a total gain of US$1,175,000 (approximately £750,000 based on the current US$/£ exchange rate), in accordance with a contingency clause in the sale agreement.

4 Earnings per share

The calculation of earnings per share is based on the profit for the period of £4,082,138 (31st May 2011 – £8,769,323; 30th November 2010 – £3,929,738) divided by the weighted average number of ordinary shares in issue for the six months ended 30th November 2011 of 25,203,351 (31st May 2011 – 24,998,168; 30th November 2010 – 24,628,428).

As set out in note 5 the Employee Benefit Trust held 1,746,117 ordinary shares in the company as at 30th November 2011. The Trustees of the Trust have waived all rights to dividends associated with these shares. In accordance with IAS33 "Earnings per share", the ordinary shares held by the Employee Benefit Trust have been excluded from the calculation of the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per share is based on the profit for the period of £4,082,138 (31st May 2011 – £8,769,323; 30th November 2010 – £3,929,738) divided by the diluted weighted average number of ordinary shares in issue for the six months ended 30th November 2011 of 26,018,983 (31st May 2011 – 25,818,990; 30th November 2010 – 25,541,267).

5 Investment in own shares

Investment in own shares relates to City of London Investment Group PLC shares held by an Employee Benefit Trust on behalf of City of London Investment Group PLC.

At 30th November 2011 the Trust held 1,746,117 ordinary 1p shares (31st May 2011 – 1,632,167; 30th November 2010 – 1,315,940), of which 1,667,492 ordinary 1p shares (31st May 2011 – 1,421,292; 30th November 2010 – 1,313,315) were subject to options in issue.

Notes
Continued

6 Dividends

A final dividend of 16p per share in respect of the year ended 31st May 2011 was paid on 21st October 2011.

An interim dividend of 8p per share (2011 – 8p) in respect of the year ended 31st May 2012 will be paid on 27th February 2012 to members registered at the close of business on 10th February 2012.

7 General

The interim financial statements for the six months to 30th November 2011 were approved by the Board on 19th January 2012. These financial statements are unaudited, but they have been reviewed by the auditors, having regard to the bulletin "Review of Interim Financial Information" issued by the Auditing Practices Board.

Copies of this statement are available on our website, www.citlon.co.uk

Statement of directors' responsibilities

The directors are responsible for preparing the condensed set of financial statements, in accordance with applicable law and regulations and confirm that, to the best of their knowledge:

- this condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union, and

- this condensed set of financial statements includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

By order of the Board

B M Olliff
Chief Executive Officer

D F Allison
Finance Director

Independent review report to City of London Investment Group PLC

Introduction

We have been instructed by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30th November 2011 set out on pages 7 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists principally of making enquiries, primarily of persons responsible for accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30th November 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Moore Stephens LLP
Registered Auditors and Chartered Accountants
150 Aldersgate Street, London, EC1A 4AB

19th January 2012

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