CITY OF LONDON
INVESTMENT GROUP PLC

HALF YEAR REPORT 2012/13

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 expanded its range to include both Developed and Frontier closed-end fund strategies, as well as products which offer Emerging Market and Natural Resources exposure directly via equities.

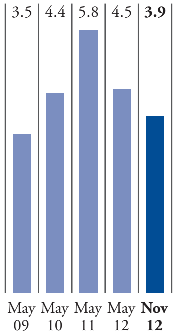
Contents

Half year summary

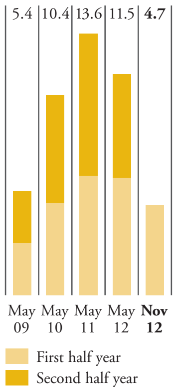
- Funds under Management ("FuM") of US$3.9 billion (£2.4 billion) at 30th November 2012. This compares to US$4.5 billion (£2.9 billion) at the beginning of this financial year on 1st June 2012 and US$4.8 billion (£3.0 billion) at 30th November 2011
- FuM at 31st December 2012 of US$4.1 billion (£2.5 billion)
- Revenues, representing the Group's management charges on FuM, were £15.1 million (2011: £17.2 million)
- Profit before tax of £4.7 million (2011: £5.7 million, excluding a one-off gain on the sale of an investment)
- Maintained interim dividend of 8p per share paid on 28th December 2012 to shareholders on the register on 14th December 2012
- Cash and cash equivalents at the period end of £5.8 million (2011: £5.9 million)

"We anticipate that global investors will re-commit to our core emerging and frontier investment markets – the MXEF has increased by about 7% from 30th November 2012 to date. If we can benefit from a continuation of this trend, then the operational gearing inherent in City of London's business model, together with the reduced costs and commissions, will produce a welcome uplift in revenues, profitability, dividend cover and ultimately, dividends themselves."
David Cardale, Chairman

Funds under Management US$bn



Pre-tax profit £m



Note: Excludes listing costs

Chairman's statement

"The six month period to 30th November 2012 was not an easy one for City of London. Global investors remained nervous of prospects for both developed and emerging economies, and this resulted in an environment in which there was little or no interest from investors in taking up any new strategies or products, including our own."

This is my first statement to shareholders since becoming Chairman on Andrew Davison's retirement at the conclusion of the Annual General Meeting in October 2012. I have been a non-executive director of the Company since the IPO in 2006 and was the Senior Independent Non-executive Director from 2008 until my appointment as Chairman.

The six month period to 30th November 2012 was not an easy one for City of London. Global investors remained nervous of prospects for both developed and emerging economies, and this resulted in an environment in which there was little or no interest from investors in taking up any new strategies or products, including our own. We have taken the opportunity to rationalise our portfolio of equity products and this is discussed in more detail in the Chief Executive Officer's (CEO) review on page 4.

On top of these challenges, the Group has also had to deal with the very large redemption from a single client that took the management of its emerging market exposure in-house, having been a client of ours for nearly five years. The decision was based on a change in the client's strategic objectives.

Total funds under management ("FuM") at the Company's half-year end on 30th November 2012 were US$3.9 billion (£2.4 billion), a decline of 13% in US$ terms, compared to the US$4.5 billion (£2.9 billion) at 31st May 2012. The decrease of US$0.6 billion over the period reflected almost entirely the client redemption mentioned above, which totalled US$0.5 billion.

Results – unaudited

As a result of the decline in FuM, revenues for the half-year were 12% lower at £15.1 million (2011: £17.2 million). Our practice of keeping our ratio of fixed costs to variable costs to a minimum meant that overall costs declined with revenues, producing a 9% reduction in administrative expenses to £10.5 million for the period (2011: £11.6 million). Profit before tax was £4.7 million compared to £5.7 million for the six months to 30th November 2011 (excluding a gain of £0.4 million on the sale of an investment in options on unquoted equity), representing a decline of 18%.

Variable costs within administrative expenses represented approximately 49% of the total (2011: 53%). The principal components are profit-share of £2.3 million (2011: £2.8 million), and the commission payable to our ex-third party marketing consultant of £2.2 million (2011: £2.7 million).

Basic earnings per share, after a 29% tax charge of £1.4 million (2011: £2.0 million representing 33% of profit before tax), were 13.1p (2011: 16.2p). Diluted earnings per share were 12.9p (2011: 15.7p).

Dividends

We stated in an update announced on 15th November 2012, that it was the Board's intention to maintain the interim dividend at last year's level of 8p per share, albeit with a reduced (and we hope temporary) level of cover. The Board has subsequently confirmed the payment of a maintained interim dividend of 8p per share. The dividend was paid on 28th December 2012 to shareholders on the register on 14th December 2012. That we can do this is a reflection of the Group's conservative financial management philosophy and careful management of the balance between fixed and variable costs. Our dividend payment policy has normally been based on a split of one third/two thirds between the interim and the final, and currently there are no plans for this to change.

Board

Andrew Davison stepped down as Chairman and retired from the Board at the beginning of October 2012. Andrew had been Chairman since 1999 and for over thirteen years provided wise and valued counsel to the Board and the Group. On behalf of the Directors, staff and shareholders, I thank him for his contribution and wish him a long and happy retirement.

In line with our policy of putting in place long term succession planning, there have been two other changes to the Board since the period end. As we advised shareholders over a year ago, City of London's founder, Barry Olliff, planned to relinquish his role as Chief Executive in favour of Doug Allison, our Finance Director since 1998, but would retain his role as Chief Investment Officer. These changes were duly announced on 31st December 2012, along with the appointment of Valerie Tannahill as Finance Director to replace Doug. Valerie joined City of London in 1997 as Finance Manager, and is a director of The World Markets Umbrella Fund plc, City of London's Dublin listed UCITS product. I congratulate both Doug and Valerie on their appointments and welcome Valerie to the Board.

Outlook

The Group's business model is built to withstand shocks and to cope with volatility, nevertheless we constantly strive both to improve efficiencies and to cut fixed and variable costs. The Board and management have recently instituted a review focusing on product restructuring and process improvement including technology driven efficiencies in order to enhance the core investment management function; we are currently in the process of implementing the improvements identified. We expect this programme to result in annualised cost savings of at least £1 million, to be reflected fully in our 2013/14 financial year. In addition, next year will see the first of the significant reductions in run-off commissions payable to our previous third party marketing consultants, as further detailed in the CEO review. Both of these factors can be expected to have a positive impact on Group profitability.

We anticipate that global investors will re-commit to our core emerging and frontier investment markets – the MXEF has increased by about 7% from 30th November 2012 to date. If we can benefit from a continuation of this trend, then the operational gearing inherent in City of London's business model, together with the reduced costs and commissions, will produce a welcome uplift in revenues, profitability, dividend cover and ultimately, dividends themselves.

David Cardale
Chairman
16th January 2013

Chief Executive Officer's review

"This will be my last Review for shareholders as Chief Executive Officer of City of London. As previously advised, I stood down as CEO at the end of 2012 but will continue in my role as Chief Investment Officer."

Funds under Management ("FuM")

FuM at the Group's half year end, 30th November 2012 were US$3.9 billion (£2.4 billion). This should be compared with US$4.8 billion (£3.0 billion) at 30th November 2011 and US$4.5 billion (US$2.9 billion) as at May 31st 2012. As an update, FuM at the end of December were US$4.1 billion (£2.5 billion).

MXEF, (which we use as a proxy via which our FuM can be measured and compared), was 1007 at the end of November 2012, 928 at the end of November 2011 and 906 at the end of May 2012. MXEF at the end of December 2012 was 1055. These price index levels should be compared with the all-time high in MXEF of 1340 at the end of October 2007 and our all-time high assets under management of US$6.2 billion at the end of April 2011.

Results – unaudited

Our pretax profits for the half year were £4.7 million compared with £5.7 million for the equivalent period to 30th November 2011 (excluding a gain in the prior period of £0.4 million on the sale of an investment in options on an unlisted investment). At the same time an interim dividend of 8p was announced for Y/E 2013 (2012: 8p).

Investment performance

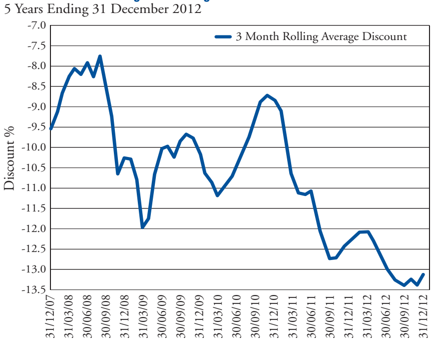
I thought that it would be helpful for shareholders if I was to drill down into certain aspects of our investment performance.

As shown in the chart, the Size Weighted Average Discount (SWAD) of our largest commingled fund has increased from 7.7% to 13.4% over the past five years. This significant head wind has adversely, particularly over the last two years, affected the investment performance of our Emerging Markets closed-end fund business. While significant moves over long periods can be countered via good country allocation relative to the funds' benchmark, and opportunities to trade discount volatility, moves in the SWAD of the order of magnitude shown below, between October 2010 (8.7%) and end September 2012 (13.4%) are virtually impossible to counter. As of the end of December the SWAD was 13.1%.

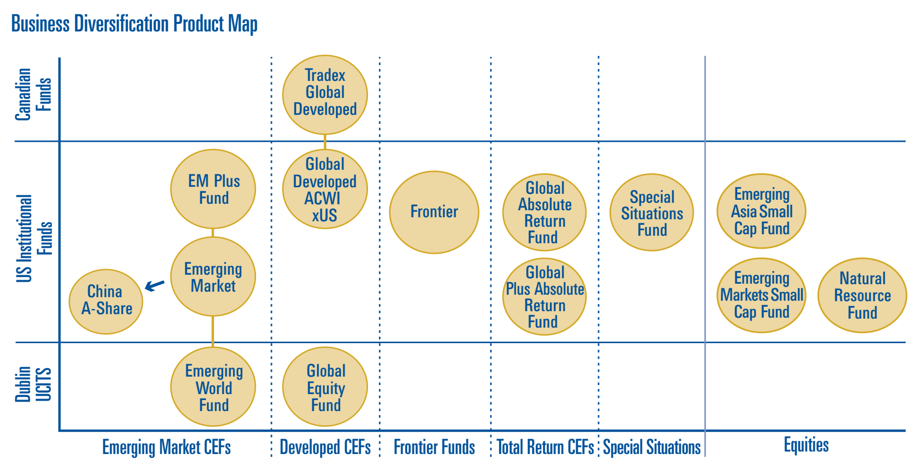
The SWAD, particularly when it increases or decreases significantly in a short period of time, is therefore a headwind or a tailwind in terms of our investment performance. However, by far and away the greater contribution to investment performance through extended cycles is trading the various securities that we consider to be within our investible universe, taking advantage of discount volatility, country allocation and also corporate actions. These parts of our process have continued to do very well through this period of underperformance.

Global EMCF Size Weighted Average Portfolio Discount

5 Years Ending 31 December 2012



Source: City of London Investment Management



The recent narrowing of the SWAD from 13.4% to 13.1% referenced earlier has provided us with some modest outperformance, and in addition is beginning to reflect a significant number of transactions that had been announced by CEF's over the recent period. With discounts remaining so wide for so long it would seem likely that there will continue to be buy- backs, tender offers, in specie distributions along with the odd liquidation and open ending. Thus we believe that our investment performance will continue to improve.

As was referenced in previous CEO Reports (both the Half Year report for 2012 and the Report and Accounts for 2012), in our opinion, a wide discount to NAV reflects either over supply or a poorly performing or constructed product. To the extent that supply is reduced as has been happening recently, not only will discounts narrow, but our performance will improve. I would make the point that we have gone through many such cycles and this one seems to be no different from those that have gone before.

Diversification

Fortunately we are well advanced in our diversification plans which have recently started to generate significant interest. Emerging Asia Small Cap, Global Absolute Return Fund (GARF) and GARF Plus, Frontier and Global Developed all outperformed their relevant benchmarks last year and are now being actively marketed. In many instances we have provided additional infrastructure or personnel to these areas of our business to ensure that as they develop they are adequately resourced.

From the Product Map above you will see that we have closed some funds. We decided to rationalise our Equity products. Brazil, Chile and Mexico plus EM Value and Growth have been liquidated. We have started a new Emerging Markets Equities Small Cap fund based upon the process developed within our Asia Small Cap Fund.

Cost controls

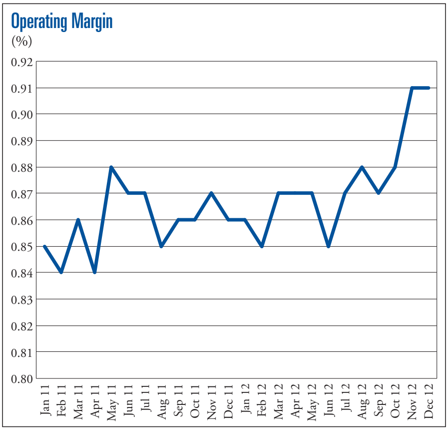
As referenced in the announcement on 15th November we have continued to focus on cost controls. We consider that we are pretty lean to start with but we have taken a look at many of our support functions and where it has been possible we have reduced costs, significantly in aggregate. In many instances we have taken advantage of advances in technology that we have recently introduced. This has enabled us to reduce our

Chief Executive Officer's review

Continued

headcount. Total savings as a result of our reductions in expenses on an annual basis are expected to exceed £1 million.

Our Operating Margin has increased from 0.85% in December 2010 to 0.91% as of December 2012.



Note: the graph is based on monthly data which includes estimated accruals.

One of the contributing factors leading to this increase in margin was that after our third party marketing agreement ended, all new business was written at our full fee (without 20% being paid out as commission).

The large majority of departing clients therefore had effectively been paying us 80% of our fee with the other 20% going to the marketing agent. The effect of this on our present margin, our ongoing commission liabilities, and the potential for retained earnings is shown in the following table.

This reduction in commission payments is very noticeable in the higher margin referenced above. The most recent uptick reflects the loss of our largest client who was paying us a lower fee as a result of their size.

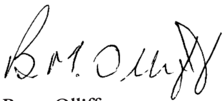
All data in the following table, with the exception of the last column, is from previous Report and Accounts. The table estimates the commission payable annually through to final run-off, using the level of FuM and $/£ rate at each data point, most recently 31st December 2012.

As of:	Jul 2010	Jul 2011	Jul 2012	Dec 2012
MXEF	991	1138	952	1055
£/$	1.55	1.60	1.55	1.60
2012-13	£5.2m	£5.8m	£4.4m	£4.1m
2013-14	£5.0m	£5.5m	£4.2m	£3.7m
2014-15	£4.4m	£4.8m	£3.7m	£3.2m
2015-16	£3.3m	£3.6m	£2.9m	£2.4m
2016-17	£2.7m	£3.0m	£2.5m	£2.0m
2017-18	£2.2m	£2.4m	£2.0m	£1.7m
2018-19	£1.2m	£1.3m	£1.1m	£1.0m
2019-20	£0.4m	£0.3m	£0.3m	£0.3m
2020-21	£0m	£0.1m	£0.1m	£0.1m

Responsibilities

Having worked in the City for 50 years, it's been 25 years since I started a new business, Olliff and Partners (O&P), back in 1987. City of London Investment Group which was an outgrowth of O&P has been developed over the past 21 years and I would like to thank all present and past employees for the assistance that they have provided in the growth of that business.

As referenced in the announcement on 31st December, from 1st January 2013 Doug Allison became CEO. I continue in the role of Chief Investment Officer. I would like to wish Doug all the best with his new responsibilities.



Barry Olliff
Chief Investment Officer
16th January 2013

For further information please see the most recent presentation to CLIG shareholders released today. This is on our website www.citlon.co.uk

Consolidated income statement

For the six months ended 30th November 2012

	Note	Six months ended 30th Nov 2012 (unaudited) £	Six months ended 30th Nov 2011 (unaudited) £	Year ended 31st May 2012 (audited) £
Revenue	2	**15,135,250**	17,232,079	34,142,706
Administrative expenses				
Staff costs		**5,696,604**	5,991,205	12,177,561
Commissions payable		**2,227,843**	2,663,695	5,194,630
Custody fees payable		**643,855**	706,410	1,433,342
Other administrative expenses		**1,824,386**	2,087,507	3,955,738
Depreciation and amortisation		**111,830**	147,754	347,591
		(10,504,518)	(11,596,571)	(23,108,862)
Operating profit		**4,630,732**	5,635,508	11,033,844
Interest receivable and similar income	3	**34,097**	468,786	427,670
Profit before tax		**4,664,829**	6,104,294	11,461,514
Income tax expense		**(1,355,279)**	(2,022,156)	(2,963,660)
Profit for the period		**3,309,550**	4,082,138	8,497,854
Basic earnings per share	4	**13.1p**	16.2p	33.8p
Diluted earnings per share	4	**12.9p**	15.7p	32.8p

Consolidated statement of comprehensive income

For the six months ended 30th November 2012

	Six months ended 30th Nov 2012 (unaudited) £	Six months ended 30th Nov 2011 (unaudited) £	Year ended 31st May 2012 (audited) £
Profit for the period	**3,309,550**	4,082,138	8,497,854
Fair value gains/(losses) on available-for-sale investments*	**379,361**	(704,442)	(720,952)
Release of fair value (gains)/losses on disposal of available-for-sale investments*	**–**	–	(14,128)
Other comprehensive income	**379,361**	(704,442)	(735,080)
Total comprehensive income for the period attributable to equity holders of the company	**3,688,911**	3,377,696	7,762,774

*Net of deferred tax

Consolidated statement of financial position

30th November 2012

	Note	30th Nov 2012 (unaudited) £	30th Nov 2011 (unaudited) £	31st May 2012 (audited) £
Non-current assets				
Property and equipment		**559,272**	719,347	607,437
Intangible assets		**329,589**	375,049	352,319
Other financial assets		**31,486**	24,676	31,354
Deferred tax asset		**337,191**	858,716	929,692
		1,257,538	1,977,788	1,920,802
Current assets				
Trade and other receivables		**3,693,521**	4,395,060	5,345,334
Available-for-sale financial assets		**7,526,393**	5,017,689	6,924,552
Cash and cash equivalents		**5,791,168**	5,878,235	5,399,869
		17,011,082	15,290,984	17,669,755
Current liabilities				
Trade and other payables		**(4,092,094)**	(3,589,344)	(3,891,267)
Current tax payable		**(441,180)**	(979,787)	(410,705)
Creditors, amounts falling due within one year		**(4,533,274)**	(4,569,131)	(4,301,972)
Net current assets		**12,477,808**	10,721,853	13,367,783
Total assets less current liabilities		**13,735,346**	12,699,641	15,288,585
Non-current liabilities				
Deferred tax liability		**(98,997)**	–	–
Net assets		**13,636,349**	12,699,641	15,288,585
Capital and reserves				
Share capital		**268,327**	268,684	268,784
Share premium account		**2,019,159**	1,977,584	1,980,084
Investment in own shares	5	**(4,984,300)**	(4,637,273)	(4,560,603)
Fair value reserve		**313,492**	(35,231)	(65,869)
Share option reserve		**786,162**	1,146,553	1,267,553
Capital redemption reserve		**20,582**	18,562	18,562
Retained earnings		**15,212,927**	13,960,762	16,380,074
Total equity		**13,636,349**	12,699,641	15,288,585

Consolidated statement of changes in equity

For the six months ended 30th November 2012

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	Capital redemption reserve £	Retained earnings £	Total £
At 1st June 2012	268,784	1,980,084	(4,560,603)	(65,869)	1,267,553	18,562	16,380,074	15,288,585
Profit for the period	–	–	–	–	–	–	3,309,550	3,309,550
Comprehensive income	–	–	–	379,361	–	–	–	379,361
Total comprehensive income	–	–	–	379,361	–	–	3,309,550	3,688,911
Transactions with owners								
Share option exercise	1,563	39,075	95,125	–	(20,443)	–	20,443	135,763
Share cancellation	(2,020)	–	–	–	–	2,020	(516,241)	(516,241)
Purchase of own shares	–	–	(518,822)	–	–	–	–	(518,822)
Share-based payment	–	–	–	–	86,195	–	–	86,195
Deferred tax	–	–	–	–	(547,143)	–	(49,970)	(597,113)
Current tax on share options	–	–	–	–	–	–	119,389	119,389
Dividends paid	–	–	–	–	–	–	(4,050,318)	(4,050,318)
Total transactions with owners	(457)	39,075	(423,697)	–	(481,391)	2,020	(4,476,697)	(5,341,147)
As at 30th November 2012	**268,327**	**2,019,159**	**(4,984,300)**	**313,492**	**786,162**	**20,582**	**15,212,927**	**13,636,349**

	Share capital £	Share premium account £	Investment in own shares £	Fair value 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

Consolidated statement of changes in equity

Continued

	Share capital £	Share premium account £	Investment in own shares £	Fair value 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 year	–	–	–	–	–	–	8,497,854	8,497,854
Comprehensive income	–	–	–	(735,080)	–	–	–	(735,080)
Total comprehensive income	–	–	–	(735,080)	–	–	8,497,854	7,762,774
Transactions with owners								
Share option exercise	200	5,000	136,632	–	(18,685)	–	18,685	141,832
Purchase of own shares	–	–	(513,576)	–	–	–	–	(513,576)
Share-based payment	–	–	–	–	195,940	–	–	195,940
Deferred tax	–	–	–	–	(513,638)	–	(8,267)	(539,905)
Current tax on share options	–	–	–	–	–	–	33,392	33,392
Dividends paid	–	–	–	–	–	–	(6,052,068)	(6,052,068)
Total transactions with owners	200	5,000	(376,944)	–	(354,383)	–	(6,008,258)	(6,734,385)
As at 31st May 2012	268,784	1,980,084	(4,560,603)	(65,869)	1,267,553	18,562	16,380,074	15,288,585

Consolidated cash flow statement

For the six months ended 30th November 2012

	Six months ended 30th Nov 2012 (unaudited) £	Six months ended 30th Nov 2011 (unaudited) £	Year ended 31st May 2012 (audited) £
Cash flow from operating activities			
Operating profit	4,630,732	5,635,508	11,033,844
Adjustments for:			
Depreciation charges	89,100	159,119	336,226
Amortisation of intangible assets	22,730	(11,365)	11,365
Share-based payment charge	86,196	96,175	195,941
Translation adjustments	162,539	(23,622)	(108,680)
Profit on disposal of fixed assets	–	(72)	(72)
Cash generated from operations before changes in working capital	4,991,297	5,855,743	11,468,624
Decrease in trade and other receivables	1,651,813	1,342,096	230,677
Decrease in trade and other payables	(834,236)	(424,075)	(122,152)
Cash generated from operations	5,808,874	6,773,764	11,577,149
Interest received	34,097	33,695	62,875
Taxation paid	(1,230,826)	(2,391,025)	(3,928,729)
Net cash generated from operating activities	4,612,145	4,416,434	7,711,295
Cash flow from investing activities			
Purchase of property and equipment	(40,935)	(334,966)	(400,163)
Proceeds from sale of property and equipment	–	320	320
Purchase of non-current financial assets	–	–	(6,491)
Proceeds from sale of non-current financial assets	–	322,289	483,434
Purchase of current financial assets	(312,246)	–	(2,132,613)
Proceeds from sale of current financial assets	–	–	178,438
Net cash used in investing activities	(353,181)	(12,357)	(1,877,075)
Cash flow from financing activities			
Proceeds from issue of ordinary shares	40,638	2,600	5,200
Ordinary dividends paid	(4,050,318)	(4,041,462)	(6,052,068)
Purchase of own shares by employee share option trust	–	(513,576)	(513,576)
Proceeds from sale of own shares by employee share option trust	95,125	59,962	136,632
Net cash used in financing activities	(3,914,555)	(4,492,476)	(6,423,812)
Net increase/(decrease) in cash and cash equivalents	344,409	(88,399)	(589,592)
Cash and cash equivalents at start of period	5,399,869	6,104,673	6,104,673
Effect of exchange rate changes	46,890	(138,039)	(115,212)
Cash and cash equivalents at end of period	5,791,168	5,878,235	5,399,869

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 2012 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 2012.

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 2012						
Revenue	**12,721,460**	**332,248**	**1,227,868**	**853,674**	**–**	**15,135,250**
Non-current assets:						
Property and equipment	**362,049**	**–**	**178,480**	**–**	**18,743**	**559,272**
Intangible assets	**329,589**	**–**	**–**	**–**	**–**	**329,589**
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
Year to 31st May 2012						
Revenue	29,050,781	654,182	2,680,574	1,757,169	–	34,142,706
Non-current assets:						
Property and equipment	389,771	–	191,794	–	25,872	607,437
Intangible assets	352,319	–	–	–	–	352,319

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

	30th Nov 2012 £	30th Nov 2011 £	31st May 2012 £
Interest	34,097	33,695	62,875
Gain on sale of investments	–	435,091	364,795
	34,097	468,786	427,670

Last year's interim figure includes a gain of US$675,000 (£435,091) on the sale of an investment in options on unquoted equity.

4 Earnings per share

The calculation of earnings per share is based on the profit for the period of £3,309,550 (31st May 2012 – £8,497,854; 30th November 2011 – £4,082,138) divided by the weighted average number of ordinary shares in issue for the six months ended 30th November 2012 of 25,254,902 (31st May 2012 – 25,171,389; 30th November 2011 – 25,203,351).

As set out in note 5 the Employee Benefit Trust held 1,877,783 ordinary shares in the company as at 30th November 2012. 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 £3,309,550 (31st May 2012 – £8,497,854; 30th November 2011 – £4,082,138) divided by the diluted weighted average number of ordinary shares in issue for the six months ended 30th November 2012 of 25,697,187 (31st May 2012 – 25,917,327; 30th November 2011 – 26,018,983).

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 2012 the Trust held 1,877,783 ordinary 1p shares (31st May 2012 – 1,711,867; 30th November 2011 – 1,746,117), of which 1,585,115 ordinary 1p shares (31st May 2012 – 1,654,242; 30th November 2011 – 1,667,492) 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 2012 was paid on 19th October 2012.

An interim dividend of 8p per share (2012 – 8p) in respect of the year ended 31st May 2013 was paid on 28th December 2012 to members registered at the close of business on 14th December 2012. This interim dividend was paid earlier than usual to accommodate US resident shareholders.

7 Principal risks and uncertainties

Changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income and the value of its investments.

Most of the Group's revenues, and a significant part of its expenses, are denominated in currencies other than sterling, principally US and Canadian Dollars. These revenues are derived from fee income which is based upon the net asset value of accounts managed, and have the benefit of a natural hedge by reference to the underlying currencies in which investments are held. Inevitably, debtor and creditor balances arise which in turn give rise to currency exposures.

8 General

The interim financial statements for the six months to 30th November 2012 were approved by the Board on 16th January 2013. 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 Investment Officer

D F Allison
Chief Executive Officer

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 2012 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 2012 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

17th January 2013

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