CITY OF LONDON
INVESTMENT GROUP PLC

HALF YEAR REPORT 2016/17

CITY OF LONDON
INVESTMENT GROUP PLC

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.

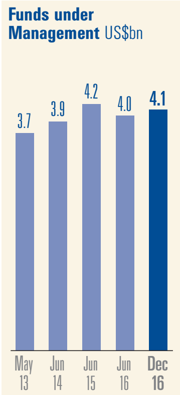
In recent years the Group has expanded its range to include Developed, Frontier, Global Tactical Asset Allocation and Private Equity closed-end fund strategies.

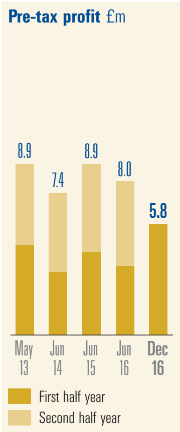
Contents

www.citlon.co.uk

HALF YEAR SUMMARY

- Funds under Management ("FuM") of US$4.1 billion (£3.3 billion) at 31st December 2016. This compares with US$4.0 billion (£3.0 billion) at the beginning of this financial year on 1st July 2016 and US$3.8 billion (£2.6 billion) at 31st December 2015
- FuM at 31st January 2017 of US$4.2 billion (£3.3 billion)
- Revenues representing the Group's management charges on FuM were £15.4 million (2015: £11.8 million)
- Profit before tax of £5.8 million (2015: £3.6 million)
- Maintained interim dividend of 8p per share payable on 17th March 2017 to shareholders on the register on 3rd March 2017
- Cash and cash equivalents at the period end of £10.5 million (2015: £8.4 million)





"Perhaps the only safe conclusion is that the emerging markets will experience further volatility which we, at City of London, are well placed to take advantage of."

David Cardale, Chairman

This release includes forward-looking statements, which may differ from actual results. Any forward-looking statements are based on certain factors and assumptions, which may prove incorrect, and are subject to risks, uncertainties and assumptions relating to future events, the Group's operations, results of operations, growth strategy and liquidity.

CHAIRMAN'S STATEMENT

The six months to December 2016 have, arguably, been politically the most eventful period for decades. Waking to the consequences of Brexit and then absorbing and analysing the implications of the Trump victory have guaranteed employment for legions of political and economic commentators. These have been challenging times for fund managers focused on the emerging markets which in themselves have diverged on an almost unprecedented scale. If, for example, equivalent investments had been made on 1st January 2016 in both a Brazilian ETF and in China through a representative basket of A shares then by 31st December the Chinese investment would have been worth just half of the Brazilian investment! I fear not even our experienced fund managers at City of London were able to foresee such divergences. Nevertheless over the six month period we increased Funds under Management (FuM) from US$4.0 billion (£3.0 billion) at the June 2016 year end to US$4.1 billion (£3.3 billion) at 31st December 2016, a product of an increase in the level of emerging markets, offset by our recent underperformance and net client redemptions.

Results – unaudited

Unaudited profit before taxation for the period was £5.8 million which compares to £3.6 million for the six months to end December 2015. As already foreseen in the 2016 annual report, this encouraging financial performance was greatly helped by sterling's accelerated depreciation relative to the US$ following the Brexit vote.

Gross revenue for the period rose to £15.4 million (2015: £11.8 million), whilst commissions payable to our ex-third party marketing consultant continued to reduce in relative terms, amounting to £0.8 million or 5% of gross revenue (2015: £0.8 million, 7%). Custody fees relating to the safekeeping and administration of the assets of our commingled funds were £0.5million (2015: £0.4 million).

Administrative expenses were £8.5 million (2015: £6.9 million). The largest components of which were staff costs (essentially salaries, benefits and related employment taxes) of £3.7 million (2015: £3.3 million) and profit-share, including related employment taxes, of £2.7 million (2015: £1.8 million).

Basic earnings per share, after a 26% tax charge of £1.5 million (2015: £1.0 million representing 27% of profit before tax), were 17.6p (2015: 10.6p). Diluted earnings per share were 17.5p (2015: 10.4p)

Dividends

It is your Board's well established policy that over a rolling five year period the intention is to achieve an average dividend cover of circa 1.2 times. We have, nevertheless, retained some flexibility given the volatility of the emerging markets on which we are still heavily dependent for our earnings and the importance for many of our shareholders of a strong and consistent dividend. Last year we took advantage of that flexibility and paid an uncovered dividend so it is with some satisfaction that with the turnaround in our profits on a maintained dividend there is an excellent prospect of a dividend cover this year of well above 1.2x.

Your Board has agreed to maintain the 8p interim dividend payable on 17th March 2017 to shareholders on the register on 3rd March 2017. No decision on the final dividend will be taken until both the results for the full year are known and the outlook for the financial year ending 2018 is much clearer.

Your Board

After a year of unprecedented change at board level in 2015/16 I am happy to report greater stability. We welcomed Mark Driver as a Non-Executive Director (NED) on 1st July 2016 but Allan Bufferd, Senior Independent Director, has informed the Board that he wishes to retire at the year end this June. Allan has enormous demands on his time with numerous prestigious appointments both in the US and internationally and we have been privileged to benefit from his wise counsel since he joined our Board in 2008. We are in the process of selecting a replacement NED and anticipate that an appointment will be made by our year end.

Outlook

Much, probably too much, has been written on Brexit given how long the road ahead of us will be. Apart from Brexit's sterling devaluation benefit to your Company, the actions of the Trump Administration will have much more immediate and profound consequences for the markets on which we are dependent. At the time of writing it is early days for the new administration but we are alert to any evidence of the actual implementation of Trump's threatened policies and their likely impact on the emerging markets.

From your Company's perspective a variety of crosswinds are on the menu. Increased spending and lower taxes leading to higher growth in the US and a further increase in the value of the US$ will benefit us by reducing our UK sterling based costs vs our US$ based income whilst also stimulating export opportunities for EM companies – positive. Against this, protectionist actions have already been taken, starting with the US withdrawal from the Trans-Pacific Partnership. In addition US$ denominated debt owed by EM countries will become that much more burdensome – earlier Fed "tapering" gave us a taste of what could be in store. Perhaps the only safe conclusion is that the emerging markets will experience further volatility which we, at City of London, are well placed to take advantage of.

We also expect to benefit from our active pipeline across all of our major closed-end fund (CEF) offerings and we have seen an increased interest in our diversification CEF strategies over the past 12 months. In total, the active pipeline is currently in excess of US$400 million, which includes opportunities that are spread across Emerging and Developed Markets, Global Tactical Asset Allocation, Tactical Income, and Frontier CEF strategies.

We provide shareholders with a template so that they can, based on their own assumptions, arrive at their own estimates of profit for the year. We have received much positive feedback for this innovation which is tangible evidence of your Board's belief in openness and transparency towards your Company's various stakeholders.

In conclusion there is a high level of uncertainty across our markets and specifically this is reflected in an exceptionally high level of discounts for emerging market closed-end funds. The corollary is, of course, exceptional recovery potential and I am confident that we are particularly well placed to take advantage of events as they unfold.

David Cardale

David Cardale
Chairman
17th February 2017

CHIEF EXECUTIVE OFFICER'S REVIEW

It is with some pleasure (and not a little relief) that I can report a significant improvement in our P&L for this half year when compared with last year.

As with most companies receiving a large percentage of their earnings in US$ we have benefited from Brexit. Shareholders will see from the table presented here, an illustration of the effect of a change in the US$/£ exchange rate on the Group's post-tax profits at various FuM levels, based on the assumptions given, which are a close approximation of the Group's current operating parameters.

Post-tax profit: Illustration of US$/£ rate effect

FuM US$bn:	3.0	3.5	4.0	4.5	5.0
US$/£	Post-tax, £m				
1.10	5.3	7.3	9.3	11.4	13.4
1.15	5.0	6.9	8.8	10.7	12.6
1.20	4.7	6.5	8.3	10.2	12.0
1.25	4.4	6.1	7.9	9.6	11.4
1.30	4.1	5.8	7.5	9.2	10.9

Assumes:
1. Average net fee 85 bp's
2. Annual operating costs £5m plus US$8m plus S$1m (£1 = S$1.7)
3. Profit-share 30%
4. Average tax rate 26%

Note: The above table is intended to illustrate the approximate impact of movement in US$/£, given an assumed set of trading conditions. It is not intended to be interpreted or used as a profit forecast.

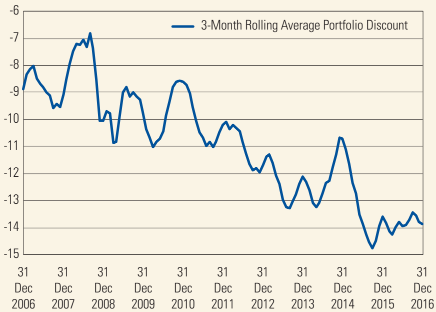
In addition we have had some significant successes from our Diversification products. Whilst I was overly optimistic two years ago, we are now benefiting from staying the course as we gradually become a fully integrated Closed-End Fund house with offerings across the spectrum of Emerging, Developed, Frontier and Tactical Asset Allocation. The only missing segment is REITs.

As with our peers, we have continued to find the headwinds within the EM asset class challenging. Fortunately, as a result of past outperformance, as well as a very focused client retention campaign, we have not suffered commensurate redemption requests.

Size-Weighted Average Discount (SWAD) – Representative account

3-Month rolling average portfolio discount

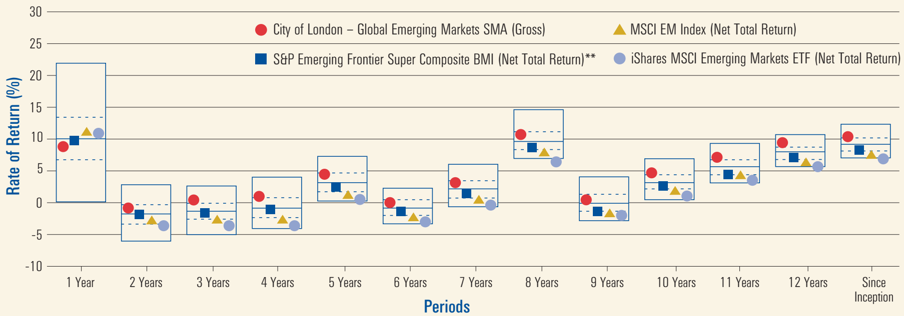
December 2006 to December 2016



Source: City of London Investment Management

As CLIG shareholders will be aware there is always an increased focus on certain aspects of Corporate Governance around the time of a listed company's Annual General Meeting (AGM). Following Proxy Advisory Reports (in relation to CLIG) from ISS, PIRC and IVIS ("the Institutions") this interim statement seems a good opportunity for me to both comment on these Institutions' voting recommendations and the outcome as expressed by shareholders and their votes at the CLIG AGM. These reports, it should be noted, are released subsequent to the publication of our annual financial statements; this, therefore, is realistically the first available opportunity to comment.

Global Emerging Markets SMA Composite Ending 31st December 2016 (According to Evestment Alliance*)



*94.9% of the universe has been updated through Quarter 4, 2016. Past performance is no guarantee of future results.
**The benchmark was changed from the S&P Emerging BMI Plus on 1st January 2009 to better reflect the investment strategy of the Fund. The S&P Emerging BMI Plus was the successor index to the S&P/IFC Global Composite Index, the benchmark for the Fund prior to 1st September 2008, which has been discontinued. The current benchmark is the S&P Emerging Frontier Super Composite Net Total Return BMI (S&P Super BMI). The MSCI EM Net TR Index and iShares MSCI Emerging Markets ETF are shown for comparative purposes.

Source: eASE Analytics System, S&P, MSCI, Bloomberg

First, it is understood that these recommendations are made within the context of "one size fits all". Having said that there is a need for these Institutions to understand how the business that they are analysing works before making their recommendations. CLIG (and also CLIM) are small companies going about their business in a very competitive market environment – any suggested change in our working practices needs to be carefully considered.

My view is also that they should understand (as we do) that small companies are run very differently from large companies.

One of our firm's strengths has been the teamwork that is demonstrated across the five offices where we have exposure to the various securities that we trade on behalf of our clients. Thus the focus of these Institutions on individual performance targets or individual Key Performance Indicators (KPIs) seems totally at odds with not just the culture of our firm but, more importantly, with client and shareholder expectations.

For 25 years our team approach has developed superior returns with a consistent team of investment professionals creating significant margins (for shareholders) to a stable client base. It is also worth making the point that the KPI used by CLIG is our share price on a total return basis which has outperformed our peers since we were listed ten years ago (see graph on page 6).

Conforming to the standards of these Institutions would mean changing our Investment Process so that we start to focus on individuals rather than the team.

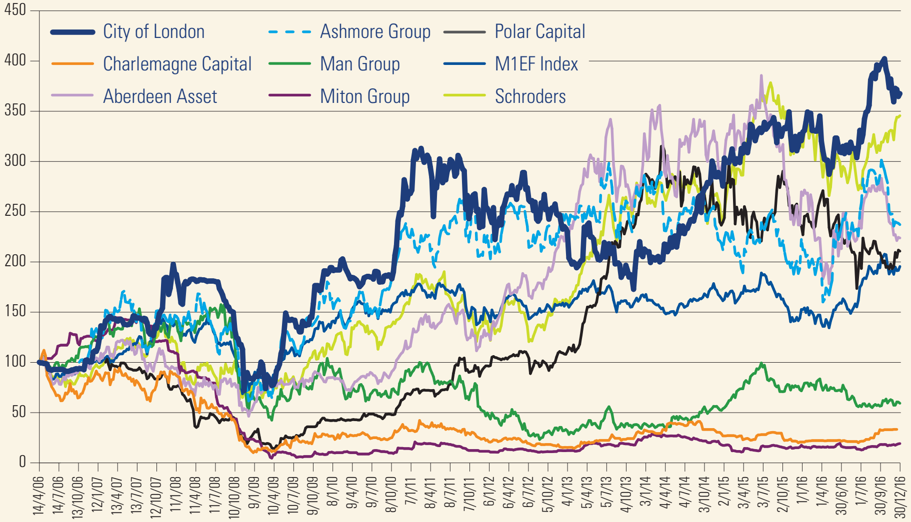
My working assumption has always been that it's the cumulative contribution or effort of CLIG/CLIM staff that is meant to benefit shareholders.

I would further assume that it is not considered in the interest of shareholders (or clients) to change a proven Investment Process.

My final assumption is that any measurement of performance should be proportionate. In other words the means via which the measurement takes place (the human resources required) should be proportionate to the benefit (for shareholders).

In an attempt to make shareholders and ISS, PIRC and IVIS aware of the risks associated with this individual KPI approach, I have listed some

Listed London peer group with significant Emerging Markets exposure (all values in GBP)



of the (potential) considerations that I would assume such a divisive process could involve when measuring an employee's KPI. In each case these could presumably individually increase/decrease bonuses:

- How would we relate investment and personal performance to the P&L?
- Which Index should we use, EM, Developed or Frontier (ISS use ACWI and FTSE All-Share)?
- How would we allocate between Departments – FuM, Headcount or Profitability?
- How would we take into account the contribution of individuals within the Marketing, Performance and Attribution, Operations and Client Servicing Departments who are all considered as a part of the CLIM "Team"?
- Given that we utilise four components of Attribution, which component(s) would the Fund Manager be judged on?
- If we could work out the contribution of an individual Fund Manager within a team environment, should we use 1, 3 or 5 years of fund performance to measure his or her performance?
- How would we allocate between individuals – potentially very divisive, sets employee against employee? Surely the competition is outside, it is not within CLIM, and yet that would inevitably occur with a finite bonus pool.
- What about profits – margins or expenses?
- How would subscriptions and redemptions be taken into account? Would these be calculated over 1, 3 or 5 years?

For over 50 years, I have watched how a Partnership (Denny Brothers and then Pinchin Denny) allocated its bonus, and how a PLC (Laing and Cruickshank) allocated its bonus. In both cases, bonuses were allocated based on a compromise between the success of the firm and individual effort. The success of the firm was (and this was not a perfect measurement tool) a function of the P&L.

Individual effort was measured by an employee's ability to communicate, his or her ability to train staff, their management skills and their flexibility. These skills varied in their importance as we went through market cycles which were as volatile then as they are now.

What I have learnt through these 50 years is that when allocating bonuses there is a need to reward flexibility, motivation, loyalty and honesty (openness).

Surely, if we are going down the path of KPIs we are confirming those very aspects that have got so many companies into trouble? There are many examples that can be found with a quick search on the internet:

- Deutsche Bank – Sale of Mortgage Backed Securities
- Wells Fargo – Creation of Fictitious Accounts
- Barclays – LIBOR manipulation
- JP Morgan – London Whale
- JP Morgan and Chase Bank – Unfair billing practices
- UBS – Loss of US$2.3 billion as a result of "vast and risky bets"
- HSBC – Failure to block transactions involving terrorists, drug lords and rogue regimes
- Standard Chartered – Engaged in illegal transactions with Iran, Libya and Burma resulting in a $300 million fine
- Lehman – Purchase of housing related Assets, use of Repo 105 Transactions
- JP Morgan, Ally Financial and Bank of America – Robo-signing of documents
- Countrywide Financial – Risky Loans

In each of these instances I would presume that certain individuals achieved their target (KPI)?

Surely if we were smart about this we would focus on the source (hiring practices) and find a solution there, instead of focusing on the outcome (greed?).

Surely instead of focusing on KPIs we should be focusing on employing the right people?

What follows is a list of some of the attributes we consider when making appointments at CLIM:

- Ability to work in a team environment
- Ability to communicate well
- Ability to work in a small company environment
- Ability to motivate staff
- Ability to accept the CLIM corporate culture

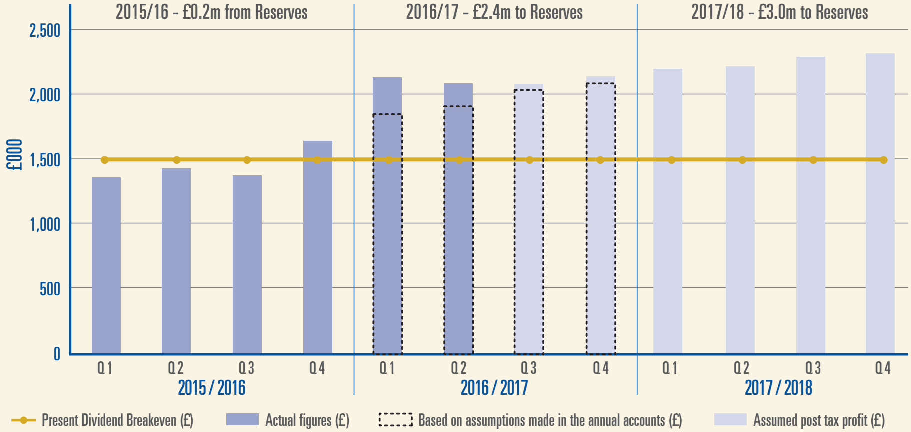
From time to time we get it wrong. When we do, the employee does not survive very long.

In passing all nineteen resolutions that were proposed at our AGM on Monday 17th October 2016 I would like to thank our shareholders for their support. I would also like to thank them for being knowledgeable regarding both how we run the company and for their research.

Furthermore, I thought that shareholders would be interested in an update regarding the level of support from staff for the recently introduced Employee Incentive Plan, approved under resolution nineteen. As of the closing date for participation, 43 of 71 staff had elected to participate. This level of support was significantly greater than anticipated.

Shareholders will recall that these shares are non-dilutive (as they are purchased in the market) and staff are investing money from their bonuses. Shareholders will also recall that the Board requested that for the first four years of the Plan, the staff bonus pool be increased to a maximum

Dividend cover – actual and assumed over three financial years



Note: Excludes unrealised gains on seed investments

Key assumptions:
(June 2016 comparatives in Italics)

- Starting point Current FuM (end December 2016)
- Net increase for the remainder of this financial year (straight-lined to June 2017):
  - emerging market CEF strategy US$125m *(US$250m over full year)*
  - non-emerging market CEF strategies US$125m *(US$250m over the full year)*
- Net increase in 2017/2018 (straight-lined to June 2018):
  - emerging market CEF strategy US$125m
  - non-emerging market CEF strategies US$125m
- Operating margin adjusted monthly for change in product mix and commission run-off
- Market growth: 0%
- Overheads for 2016/17: +10% compared to 2015/16 *(+5%)*
- Overheads for 2017/18: +11% compared to 2015/16
- EIP charge for 2016/17: 0.5% of operating profit
- EIP charge for 2017/18: 2% of operating profit
- Corporation tax based on an estimated average rate of 26% *(26%)*
- Exchange rate assumed to be £1/$1.23 for entire period *(£1/US$1.35)*
- Number of CLIG Shares in issue (26.9m) less those held by the ESOP Trust (1.7m) as at 31 December *(26.9m CLIG shares in issue less 1.9m ESOP Trust holding)*

of 35% (from 30%). The estimated effect on this year's P&L is 0.5% (thus increasing the bonus pool to 30.5% of pre-bonus, pre-tax operating profit) and the estimate on next year's bonus pool is an additional 2% (32%) as stated under the assumptions in the template above.

The dividend cover template illustrates the quarterly estimated cost of a maintained dividend over a three year period against actual post-tax profits and assumed post-tax profit based upon some key assumptions.

Given these assumptions it should be possible for shareholders and other interested parties to construct models projecting our profitability based upon their own opinions while taking into account changing market conditions. It should be noted that each month we disclose our updated FuM on the announcements page of our website: www.citlon.co.uk.

Barry Olliff
Chief Executive Officer
17th February 2017

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2016

	Note	**Six months ended 31st Dec 2016 (unaudited) £**	Six months ended 31st Dec 2015 (unaudited) £	Year ended 30th June 2016 (audited) £
Revenue				
Gross fee income	2	**15,438,558**	11,761,261	24,412,826
Commissions payable		**(765,261)**	(823,557)	(1,514,707)
Custody fees payable		**(462,221)**	(361,730)	(735,200)
Net fee income		**14,211,076**	10,575,974	22,162,919
Administrative expenses				
Staff costs		**6,447,473**	5,114,846	10,606,490
Other administrative expenses		**1,992,243**	1,696,006	3,631,993
Depreciation and amortisation		**94,153**	75,806	168,298
		(8,533,869)	(6,886,658)	(14,406,781)
Operating profit		**5,677,207**	3,689,316	7,756,138
Interest receivable and similar gains	3	**122,459**	(112,506)	212,595
Profit before tax		**5,799,666**	3,576,810	7,968,733
Income tax expense		**(1,528,070)**	(982,495)	(2,115,404)
Profit for the period		**4,271,596**	2,594,315	5,853,329
Profit attributable to:				
Equity shareholders of the parent		**4,420,214**	2,632,839	5,791,354
Non-controlling interest		**(148,618)**	(38,524)	61,975
Basic earnings per share	4	**17.6p**	10.6p	23.3p
Diluted earnings per share	4	**17.5p**	10.4p	23.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2016

	Six months ended 31st Dec 2016 (unaudited) £	Six months ended 31st Dec 2015 (unaudited) £	Year ended 30th June 2016 (audited) £
Profit for the period	**4,271,596**	2,594,315	5,853,329
Fair value gains/(losses) on available-for-sale investments*	**16,430**	(1,971)	(542)
Foreign currency movements in foreign operations	**–**	96,018	–
Foreign exchange gains on non-monetary assets	**31,664**	28,245	83,058
Other comprehensive income	**48,094**	122,292	82,516
Total comprehensive income for the period	**4,319,690**	2,716,607	5,935,845
Attributable to:			
Equity holders of the parent	**4,468,308**	2,755,131	5,873,870
Non-controlling interest	**(148,618)**	(38,524)	61,975

*Net of deferred tax

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31ST DECEMBER 2016

	Note	31st Dec 2016 (unaudited) £	31st Dec 2015 (unaudited) £	30th June 2016 (audited) £
Non-current assets				
Property and equipment		524,141	398,916	431,017
Intangible assets		223,226	205,816	201,801
Other financial assets		1,050,556	2,073,625	2,200,099
Deferred tax asset		187,717	451,013	86,106
		1,985,640	3,129,370	2,919,023
Current assets				
Trade and other receivables		5,311,451	4,082,052	5,044,107
Available-for-sale financial assets		784,724	–	–
Cash and cash equivalents		10,456,243	8,382,280	10,150,799
		16,552,418	12,464,332	15,194,906
Current liabilities				
Trade and other payables		(3,171,439)	(2,012,317)	(3,122,371)
Current tax payable		(722,060)	(686,771)	(732,795)
Creditors, amounts falling due within one year		(3,893,499)	(2,699,088)	(3,855,166)
Net current assets		12,658,919	9,765,244	11,339,740
Total assets less current liabilities		14,644,559	12,894,614	14,258,763
Non-current liabilities				
Deferred tax liability		(192,862)	(102,865)	(137,514)
Net assets		14,451,697	12,791,749	14,121,249
Capital and reserves				
Share capital		268,967	267,973	268,967
Share premium account		2,256,104	2,117,888	2,256,104
Investment in own shares	5	(4,930,654)	(5,607,771)	(5,298,916)
Fair value reserve		24,507	6,648	8,077
Share option reserve		107,071	116,612	75,407
Foreign exchange reserve		537,439	854,417	563,350
Capital redemption reserve		22,747	22,747	22,747
Retained earnings		16,165,516	14,416,559	15,593,570
Total equity		14,451,697	12,195,073	13,489,306
Non-controlling interest		–	596,676	631,943
Total equity		14,451,697	12,791,749	14,121,249

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2016

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Foreign exchange reserve £	Share option reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	NCI £	Total £
At 1st July 2016	268,967	2,256,104	(5,298,916)	8,077	75,407	563,350	22,747	15,593,570	13,489,306	631,943	14,121,249
Profit for the period	–	–	–	–	–	–	–	4,420,214	4,420,214	(148,618)	4,271,596
Comprehensive income	–	–	–	16,430	31,664	–	–	–	48,094	–	48,094
Total comprehensive income	–	–	–	16,430	31,664	–	–	4,420,214	4,468,308	(148,618)	4,319,690
Transactions with owners											
Derecognisation of NCI investment	–	–	–	–	–	–	–	–	–	(483,325)	(483,325)
Share option exercise	–	–	368,262	–	–	(60,180)	–	60,180	368,262	–	368,262
Share-based payment	–	–	–	–	–	34,269	–	–	34,269	–	34,269
Deferred tax	–	–	–	–	–	–	–	91,691	91,691	–	91,691
Current tax share opts	–	–	–	–	–	–	–	20,980	20,980	–	20,980
Dividends paid	–	–	–	–	–	–	–	(4,021,119)	(4,021,119)	–	(4,021,119)
Total transactions with owners	–	–	368,262	–	–	(25,911)	–	(3,848,268)	(3,505,917)	(483,325)	(3,989,242)
As at 31st December 2016	**268,967**	**2,256,104**	**(4,930,654)**	**24,507**	**107,071**	**537,439**	**22,747**	**16,165,516**	**14,451,697**	**–**	**14,451,697**

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Foreign exchange reserve £	Share option reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	NCI £	Total £
At 1st July 2015	269,123	2,117,888	(5,692,430)	8,619	(7,651)	807,106	21,597	16,127,877	13,652,129	595,387	14,247,516
Profit for the period	–	–	–	–	–	–	–	2,632,839	2,632,839	(38,524)	2,594,315
Comprehensive income	–	–	–	(1,971)	124,263	–	–	–	122,292	–	122,292
Total comprehensive income	–	–	–	(1,971)	124,263	–	–	2,632,839	2,755,131	(38,524)	2,716,607
Transactions with owners											
Forex movement on NCI investment	–	–	–	–	–	–	–	–	–	39,813	39,813
Share option exercise	–	–	84,659	–	–	(13,746)	–	13,746	84,659	–	84,659
Share cancellation	(1,150)	–	–	–	–	–	1,150	(375,502)	(375,502)	–	(375,502)
Share-based payment	–	–	–	–	–	9,479	–	–	9,479	–	9,479
Deferred tax	–	–	–	–	–	51,578	–	100	51,678	–	51,678
Current tax share opts	–	–	–	–	–	–	–	2,516	2,516	–	2,516
Dividends paid	–	–	–	–	–	–	–	(3,985,017)	(3,985,017)	–	(3,985,017)
Total transactions with owners	(1,150)	–	84,659	–	–	47,311	1,150	(4,344,157)	(4,212,187)	39,813	(4,172,374)
As at 31st December 2015	267,973	2,117,888	(5,607,771)	6,648	116,612	854,417	22,747	14,416,559	12,195,073	596,676	12,791,749

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONTINUED

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Foreign exchange reserve £	Share option reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	NCI £	Total £
At 1st July 2015	269,123	2,117,888	(5,692,430)	8,619	(7,651)	807,106	21,597	16,127,877	13,652,129	595,387	14,247,516
Profit for the period	–	–	–	–	–	–	–	5,791,354	5,791,354	61,975	5,853,329
Comprehensive income	–	–	–	(542)	83,058	–	–	–	82,516	–	82,516
Total comprehensive income	–	–	–	(542)	83,058	–	–	5,791,354	5,873,870	61,975	5,935,845
Transactions with owners											
Forex movement on NCI investment	–	–	–	–	–	–	–	–	–	(25,419)	(25,419)
Share option exercise	994	138,216	393,514	–	–	(74,059)	–	74,059	532,724	–	532,724
Share cancellation	(1,150)	–	–	–	–	–	1,150	(375,502)	(375,502)	–	(375,502)
Share-based payment	–	–	–	–	–	16,868	–	–	16,868	–	16,868
Deferred tax	–	–	–	–	–	(186,565)	–	(129,958)	(316,523)	–	(316,523)
Current tax share opts options	–	–	–	–	–	–	–	87,461	87,461	–	87,461
Dividends paid	–	–	–	–	–	–	–	(5,981,721)	(5,981,721)	–	(5,981,721)
Total transactions with owners	(156)	138,216	393,514	–	–	(243,756)	1,150	(6,325,661)	(6,036,693)	(25,419)	(6,062,112)
As at 30th June 2016	268,967	2,256,104	(5,298,916)	8,077	75,407	563,350	22,747	15,593,570	13,489,306	631,943	14,121,249

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2016

	Six months ended 31st Dec 2016 (unaudited) £	Six months ended 31st Dec 2015 (unaudited) £	Year ended 30th June 2016 (audited) £
Cash flow from operating activities			
Operating profit	**5,677,207**	3,689,316	7,756,138
Adjustments for:			
Depreciation charges	**68,633**	51,028	118,742
Amortisation of intangible assets	**25,520**	24,778	49,556
Share-based payment charge	**34,269**	9,479	16,868
Fair value gain on investments	**69,066**	–	–
Translation adjustments	**(132,793)**	(79,804)	(243,072)
Loss/(profit) on disposal of fixed assets	**202**	(50)	(515)
Cash generated from operations before changes in working capital	**5,742,104**	3,694,747	7,697,717
(Increase)/decrease in trade and other receivables	**(267,344)**	427,132	(534,923)
Increase/(decrease) in trade and other payables	**49,068**	(597,627)	512,427
Cash generated from operations	**5,523,828**	3,524,252	7,675,221
Interest received	**14,883**	22,246	40,195
Taxation paid	**(1,496,140)**	(1,123,995)	(2,094,937)
Net cash generated from operating activities	**4,042,571**	2,422,503	5,620,479
Cash flow from investing activities			
Purchase of property and equipment	**(177,240)**	(72,042)	(139,164)
Proceeds from sale of property and equipment	**–**	225	2,047
Purchase of non-current financial assets	**(810)**	–	–
Proceeds from sale of non-current financial assets	**–**	–	23,098
Purchase of current financial assets	**–**	–	–
Proceeds from sale of current financial assets	**–**	–	–
Net cash used in investing activities	**(178,050)**	(71,817)	(114,019)
Cash flow from financing activities			
Proceeds from issue of ordinary shares	**–**	–	139,210
Ordinary dividends paid	**(4,021,119)**	(3,985,017)	(5,981,721)
Purchase and cancellation of own shares	**–**	(375,502)	(375,502)
Proceeds from sale of own shares by employee share option trust	**368,262**	84,659	393,514
Net cash used in financing activities	**(3,652,857)**	(4,275,860)	(5,824,499)
Net increase/(decrease) in cash and cash equivalents	**211,664**	(1,925,174)	(318,039)
Cash and cash equivalents at start of period	**10,150,799**	10,226,705	10,226,705
Effect of exchange rate changes	**93,780**	80,749	242,133
Cash and cash equivalents at end of period	**10,456,243**	8,382,280	10,150,799

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 30th June 2016 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 Conduct 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 30th June 2016, which were prepared in accordance with IFRSs as adopted by the European Union.

The consolidated financial information contained within this report incorporates the results, cash flows and financial position of the Company and its subsidiaries for the period to 31st December 2016.

Subsidiaries are entities controlled by the Company and are included from the date that control commences until the date that control ceases. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

As of 31st October 2016, the Company ceased to have the majority interest in the International Equity CEF fund as a result of the fund attracting a major third-party investor. The Company has retained its interest in the fund but the fund is no longer consolidated as a subsidiary of the Company.

When a Company ceases to have control of an entity any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. This fair value is the new carrying amount for the purposes of the subsequent accounting treatment for the retained interest, and in this instance the investment has been classified as an available-for-sale financial asset. Any future gains or losses arising from changes in fair value will be included as part of other comprehensive income.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these interim financial statements.

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 31st Dec 2016						
Revenue	**14,263,256**	**479,438**	**235,821**	**460,043**	**–**	**15,438,558**
Non-current assets:						
Property and equipment	**453,829**	**–**	**60,547**	**–**	**9,765**	**524,141**
Intangible assets	**223,226**	**–**	**–**	**–**	**–**	**223,226**
Six months to 31st Dec 2015						
Revenue	10,910,715	376,544	147,723	326,279	–	11,761,261
Non-current assets:						
Property and equipment	328,289	–	67,754	–	2,873	398,916
Intangible assets	205,816	–	–	–	–	205,816
Year to 30th June 2016						
Revenue	22,609,241	798,158	344,259	661,168	–	24,412,826
Non-current assets:						
Property and equipment	358,742	–	63,715	–	8,560	431,017
Intangible assets	201,801	–	–	–	–	201,801

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 GAINS

	31st Dec 2016 £	31st Dec 2015 £	30th June 2016 £
Interest	**14,883**	22,246	40,195
Loss on sale of investments	**–**	–	(197)
Unrealised gain/(loss) on investments	**107,576**	(134,752)	172,597
	122,459	(112,506)	212,595

4 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of £4,420,214 (30th June 2016 – £5,791,354; 31st December 2015 – £2,632,839) divided by the weighted average number of ordinary shares in issue for the six months ended 31st December 2016 of 25,096,005 (30th June 2016 – 24,903,965; 31st December 2015 – 24,856,431).

As set out in note 5 the Employee Benefit Trust held 1,720,213 ordinary shares in the company as at 31st December 2016. 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 £4,420,214 (30th June 2016 – £5,791,354; 31st December 2015 – £2,632,839) divided by the diluted weighted average number of ordinary shares in issue for the six months ended 31st December 2016 of 25,287,295 (30th June 2016 – 25,045,522; 31st December 2015 – 25,215,721).

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 31st December 2016 the Trust held 1,720,213 ordinary 1p shares (30th June 2016 – 1,852,213; 31st December 2015 – 2,000,913), of which 1,376,620 ordinary 1p shares (30th June 2016 – 1,566,620; 31st December 2015 – 1,772,655) were subject to options in issue.

6 DIVIDENDS

A final dividend of 16p per share in respect of the year ended 30th June 2016 was paid on 31st October 2016.

An interim dividend of 8p per share (2016 – 8p) in respect of the year ended 30th June 2017 will be paid on 17th March 2017 to members registered at the close of business on 3rd March 2017.

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 FINANCIAL INSTRUMENTS

The Group's financial assets include cash and cash equivalents, investments and other receivables. Its financial liabilities include accruals and other payables. The fair value of the Group's financial assets and liabilities is materially the same as the book value.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: fair value derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair values of the financial instruments are determined as follows:

- Investments in own funds are determined with reference to the net asset value (NAV) of the fund. Where the NAV is a quoted price the fair value is shown under level 1, where the NAV is not a quoted price the fair value is shown under level 2.
- Forward currency trades are valued using the forward exchange bid rates and are shown under level 2.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

8 FINANCIAL INSTRUMENTS CONTINUED

Group

31st December 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	817,568	–	817,568
Total	–	817,568	–	817,568
Financial assets at fair value through profit or loss				
Investment in other financial assets	1,017,712	–	–	1,017,712
Total	1,017,712	–	–	1,017,712
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	80,605	–	80,605
Total	–	80,605	–	80,605

31st December 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	25,372	–	25,372
Total	–	25,372	–	25,372
Financial assets at fair value through profit or loss				
Investment in other financial assets	1,983,241	64,998	14	2,048,253
Total	1,983,241	64,998	14	2,048,253
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	126,021	–	126,021
Total	–	126,021	–	126,021

8 FINANCIAL INSTRUMENTS CONTINUED

30th June 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	27,454	–	27,454
Total	–	27,454	–	27,454
Financial assets at fair value through profit or loss				
Investment in other financial assets	2,160,174	12,457	14	2,172,645
Total	2,160,174	12,457	14	2,172,645
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	276,743	–	276,743
Total	–	276,743	–	276,743

Level 3

Level 3 assets as of 31st December 2016 consist of nil (30th June 2016: one security valued at £14; 31st December 2015: one security valued at £14). The Level 3 asset in the prior year was an investment fund where significant unobservable inputs are being used to assign value as the investment fund was in liquidation. Previously quoted prices in active markets were being used in the valuation of the security. When the shares were placed into liquidation and market activity ceased, significant unobservable inputs were used to assign a value to the security as of period end.

The Fund establishes valuation processes and procedures to ensure that the valuation techniques for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent, and verifiable. The Group is responsible for overseeing the implementation of the valuation policies and procedures, which includes the valuation process of the Fund's Level 3 investments.

There were no transfers between any of the levels in the reporting period, however as described in Note 1, the investment in the International Equity CEF fund has been reclassified as an available-for-sale financial asset, and is now classed as a Level 2 investment.

All fair value gains and losses included in other comprehensive income relate to the investment in own funds.

Where there is an impairment in the investment in own funds, the loss is reported in the income statement. No impairment was recognised during the period or the preceding year.

The fair value gain on the forward currency trades is offset in the income statement by the foreign exchange losses on other currency assets and liabilities held during the period and at the period end. The net loss reported for the period is £136,867 (30th June 2016: net loss £179,495; 31st December 2015: net loss £99,737).

9 GENERAL

The interim financial statements for the six months to 31st December 2016 were approved by the Board on 17th February 2017. 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 Conduct Authority.

By order of the Board

Barry Olliff
Chief Executive Officer

INDEPENDENT REVIEW REPORT TO CITY OF LONDON INVESTMENT GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31st December 2016 set out on pages 9 to 20. 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 Conduct 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 31st December 2016 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 Conduct Authority.

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

17th February 2017

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