CITY OF LONDON
INVESTMENT GROUP PLC

HALF YEAR REPORT 2017/18

CITY OF LONDON
INVESTMENT GROUP PLC

City of London Investment Group PLC is an established asset management group which has built its reputation by specialising in Emerging Market closed-end fund investment, with an institutional client focus.

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

Contents

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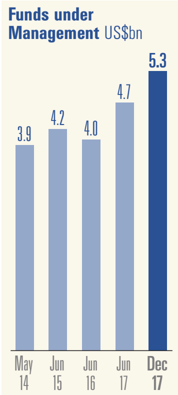
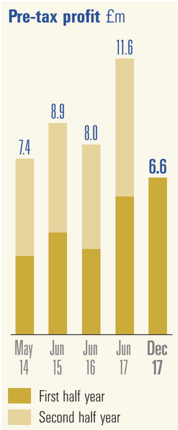
HALF YEAR SUMMARY

- Funds under Management ("FuM") of US$5.3 billion (£3.9 billion) at 31st December 2017. This compares with US$4.7 billion (£3.6 billion) at the beginning of this financial year on 1st July 2017 and US$4.1 billion (£3.3 billion) at 31st December 2016
- FuM at 31st January 2018 of US$5.8 billion (£4.1 billion)
- Revenues representing the Group's management fees on FuM were £17.1 million (31st December 2016: £15.4 million)
- Profit before tax of £6.6 million (31st December 2016: £5.8 million)
- Increased interim dividend of 9p per share (31st December 2016: 8p) payable on 16th March 2018 to shareholders on the register on 2nd March 2018
- Cash and cash equivalents at the period end of £15.6 million (31st December 2016: £10.5 million)





"With our business now much more broadly based with opportunities that are spread across Emerging and Developed Markets, Global Tactical Asset Allocation and Frontier CEF strategies we are undoubtedly better placed to benefit from the inevitable surprises that the future holds."

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

A Chairman needs always to be circumspect in writing any form of market commentary when he knows that his eventual audience, days, weeks or even months later, will have the benefit of hindsight when reading the report. This was brought home to me reflecting on my first draft written before the market turmoil in the second week of February. I had observed that by whatever yardstick one chose, PE ratio, PEG ratio, price to book or earnings yield, markets were very expensive. The Dow for the first time since 2008 was yielding less than 2% and yet markets continued to climb. Whilst numerous seasoned market professionals and observers had their doubts as to the sustainability of these widespread gains, the Bulls pointed to EPS growth in developed markets and emerging markets forecast as having been 22% and 25% respectively for the full year 2017. The outlook for earnings in 2018 was also very positive whilst market volatility remained exceptionally low. In addition I noted that whatever one's view on valuations, emerging markets, notwithstanding a 37% rise in the MXEF index in 2017, arguably offered, by comparison with developed markets, good value. Furthermore, for our core product, investing in emerging market closed-end funds and holding companies, value was further enhanced by the discounts to NAV that we are able to find and exploit. Despite gains of c. 90% from the market lows in Q1 2016, our size weighted average discount at 15% continued to indicate compelling value in our core strategy.

Then came the headline grabbing market hiccups, initially during the week of 5th February. I had to review my earlier draft but on further consideration I concluded not much had changed. Valuations remained very high by historic standards and the return of volatility, if sustained, would auger well for our investment process. In addition wider discounts provided even better CEF value. The major cause of the upset was, it seemed to me, the increasingly strong global economic recovery that had, of course, fuelled the major rise in stock markets in 2017!

Returning to our performance, during the final quarter of 2017 our core EM products lagged the very buoyant market. Over this period, composite returns for the EM CEF Strategy were 6.1% versus 7.4% for the MSCI Emerging Market Index and 7.6% for the S&P Super BMI Index. For the full calendar year 2017 composite returns for the EM CEF Strategy were 35.7% versus 37.3% for the MSCI Emerging Market Index and 36.4% for the S&P Super BMI Index, both in USD. This was attributable to a number of factors including an underweight to the Technology sector which now accounts for some 27% by value of the EM universe, an overweight to small cap companies which have underperformed and sub-optimal country allocations.

Over the six month period Funds under Management (FuM) increased from US$4.7 billion (£3.6 billion) at the June 2017 year end to US$5.3 billion (£3.9 billion) at 31st December 2017. The drivers for this increase included the rise in emerging markets, offset by our recent underperformance and clients rebalancing, a near doubling of funds invested in our Developed CEF products and increases in both our Global Tactical Asset Allocation and Frontier products. The broadening of our product base is the result of considerable investment made over many years now coming to fruition.

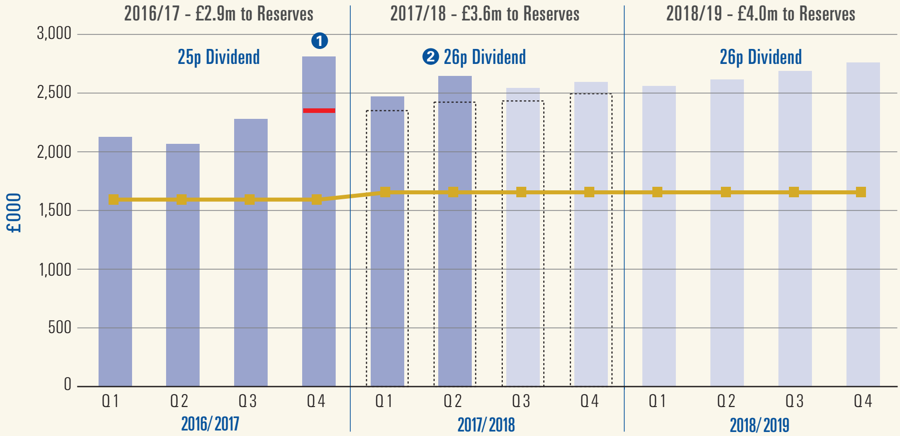
Results – unaudited

Unaudited profit before taxation for the period was £6.6 million which compares to £5.8 million for the six months to end December 2016. With the recent strengthening of Sterling vs the US Dollar the "Brexit Bounce" in our profitability which I have previously referred to has been partially eroded but this has been more than offset by the strength of markets.

Gross revenue for the period rose to £17.1 million (2016: £15.4 million), whilst commissions payable to our ex-third party marketing consultant continued

Template – dividend cover

Actual and assumed over three financial years



Actual figures (£)
As assumed in the annual accounts (£)
Assumed post tax profit (£)

Present dividend breakeven (£)
Indication of Q4 profit less the exceptional US state tax adjustments

1 Includes a credit of c.£500k relating to prior years' US state taxes
2 Interim dividend increased from 8p to 9p

Note: Excludes unrealised gains on seed investments

Key assumptions:
(June 2017 comparatives in Italics)

- Starting point Current FuM (end December 2017)
- Net increase for the remainder of this financial year (straight-lined to June 2018):
  – emerging market CEF strategy US$100m *(US$250m over full year)*
  – non-emerging market CEF strategies US$125m *(US$250m over the full year)*
- Net increase in 2018/2019 (straight-lined to June 2019):
  – emerging market CEF strategy US$100m
  – non-emerging market CEF strategies US$250m
- Operating margin adjusted monthly for change in product mix and commission run-off
- Market growth: 0%
- Overheads for 2017/18: +4% compared to 2016/17 *(+3%)*
- Overheads for 2018/19: +7% compared to 2016/17
- EIP charge for 2017/18: 2% of operating profit *(2%)*
- EIP charge for 2018/19: 4% of operating profit
- Corporation tax based on an estimated average rate of 23% *(23%)*
- Exchange rate assumed to be £1/$1.35 for entire period *(£1/US$1.3)*
- Number of CLIG Shares in issue (26.9m) less those held by the ESOP Trust (1.4m) as at 31 December 2017 *(26.9m CLIG shares in issue less 1.5m EBT holding)*

to reduce, amounting to £0.6 million or 4% of gross revenue (2016: £0.8 million, 5%). Custody fees relating to the safekeeping and administration of the assets of our commingled funds were £0.5 million (2016: £0.5 million).

Administrative expenses were £9.5 million (2016: £8.5 million). The largest components of which were staff costs (essentially salaries, benefits and related employment taxes) of £3.7 million (2016: £3.7 million) and profit-share, including related employment taxes, of £3.1 million (2016: £2.7 million). The cost of the EIP was £0.3 million (2016: nil).

Basic earnings per share, after a 22% tax charge of £1.4 million (2016: £1.5 million representing 26% of profit before tax), were 20.2p (2016: 17.6p). Diluted earnings per share were 20.0p (2016: 17.5p).

Dividends

For the year ended June 2017 your Board increased the final dividend by 1p to 17p giving a total for the year of 25p per share. For the current year interim dividend your Board has declared a 1p increase from 8p to 9p per share. In reviewing the final dividend for the year we will continue to adhere, with some flexibility, to our now well established policy of targeting a rolling 5 year cover of 1.2x.

Your Board

As was originally reported in 2015, Barry Olliff, our Founder, CEO and CIO, has informed the Board that he intends to retire as of 31st December 2019. Your Board has therefore increasingly been working on ensuring a smooth transition. The first major step in securing succession was the appointment, announced with the interim report in January 2014, of Mark Dwyer taking responsibility for the Emerging Markets CEF products. Mark was subsequently appointed to the Board in October 2015 as CIO of EM CEFs which then amounted to over 90 per cent of our FuM. I am now delighted to announce the appointment of Tom Griffith, a long standing director and our current COO, as Deputy CEO working alongside Barry Olliff. I am of the view that a successful succession is best achieved by way of an internal appointment and we are very fortunate in having someone as well qualified for the role as is Tom Griffith.

Outlook

Having spent nearly five decades working in the financial markets I have learnt from experience never to forecast the future direction of markets. Even if they appear too high the chances are that an exit will prove to have been premature with the best of the gains being forfeited. At City of London we will continue to focus both on our performance across our now diversified product base and our level of profitability. Good performance will help ensure a growing level of FuM (see the information on our current pipeline of new client money in Barry Olliff's report that follows) and market pressures will determine the level of fees we can charge.

Barry also discusses in his statement the impact on our business of MIFID 2. Currently the Group's income accrues at a weighted average rate of approximately 82 basis points of FuM, net of third party commissions. We have been operating in a very competitive environment with constant downward pressure on fees. Looking ahead, the cost of third party commissions will continue to reduce but arguably, even more importantly, there will be reduced competitor pressure on fees with MIFID 2 resulting in substantially increased costs for most of our competitors. With almost all our research having been carried out in-house we will not be suffering the same cost increases. Most competing fund managers now have to pay themselves for research previously paid for by their clients through bloated broker commissions; they are, therefore, unlikely to want to see or afford a further erosion in the level of fees.

With our business now much more broadly based with opportunities that are spread across Emerging and Developed Markets, Global Tactical Asset Allocation and Frontier CEF strategies we are undoubtedly better placed to benefit from the inevitable surprises that the future holds. Whilst I make no forecast, we do provide shareholders with a template, reproduced on page 3, so that they can, based on their own assumptions, arrive at their own estimates of profit for the year. In previous years 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.

Notwithstanding the major gains witnessed in 2017 across global equity markets, the exceptional value we find in emerging market closed-end funds and holding companies gives us confidence that we continue to be well placed to deliver strong relative returns. This, combined with the traction now achieved with our diversification products, justifies my confidence in anticipating a successful outcome for the full year.

David Cardale

David Cardale
Chairman
16th February 2018

Diversification

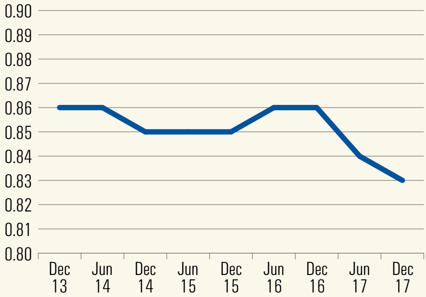
In my opinion, a significant milestone was achieved in the development of the Group over the past six months as a result of the success of the Developed Markets and Global Tactical Asset Allocation Team.

With a good long term track record, a consistent approach and the same team, they have now achieved FuM of in excess of US$500 million. At the time of writing these increased FuM are more than replacing EM assets that continue to be reduced due to rebalancing.

Shareholders will appreciate that the graph shown on this page reflects this changing mix in our business in terms of overall fees. In my opinion the level of fees will not reduce significantly further in the next two years.

With regards to business development, the Group continues to maintain an active pipeline across all of its major CEF offerings with an increased interest in the diversification CEF strategies. In total the active pipeline is in excess of US$400 million, these include opportunities that are spread across Emerging and Developed Markets, Global Tactical Asset Allocation, Tactical Income, and Frontier CEF strategies.

Operating margin (%)



Note: Monthly anomalies have been removed e.g. FX differences on segregated account accruals

MIFID 2

Shareholders might not be aware of the significant impact of MIFID 2 on our industry in terms of the cost, provision and potential outcome of the provision of research to Fund Managers.

In our case we are in good shape as we source NAV's internally and conduct the vast majority of our visits and undertake our research independently of brokers and other third party providers.

In this respect we are to all intents and purposes independent from, in my opinion, the correct influence of MIFID 2, which in effect discourages Fund Managers from double dipping as they received fees from their clients, and then effectively charged clients again via the commissions paid to brokers for research. The effect of MIFID 2 on our P&L will not therefore be discernible.

Other Fund Managers will not be as immune and in some cases they are likely to have significant bills. Having said that, these significant bills will probably be reduced as companies take on research staff from brokers who will inevitably suffer further commission erosion.

This potential for Style Drift will not be lost on US Consultants, Foundations, Endowments and Pension Funds as they continue to review their Managers for changing personnel and components of attribution.

As implied earlier, our payments to third parties are minuscule and are only really relevant in terms of our Macro team, where we have historically paid for relevant research via our P&L.

Mrs Thatcher, Cecil Parkinson (Big Bang in 1986) and Paul Myners (Myners Report 2001) should be congratulated regarding the far sighted effect that they had in making London such a successful financial centre by removing both restraints on trade and conflicts of interest. In my opinion MIFID 2 completes the job that they started.

The bull market and the CLIG P&L

With the EM's coming up to the second anniversary of what could be considered to be a stealth bull market, we are probably at a point when we should try and analyse if these significant increases in valuations are justified.

Forecasting markets is not something that we need to be good at. Having said that, at the margin we try and work out – and add value by picking – good Countries, Sectors and Managers in which to invest.

Our clients "weight" us within their portfolios, and as markets appreciate, and based upon their prearranged asset allocation, if their exposure goes outside of a "range", they will rebalance.

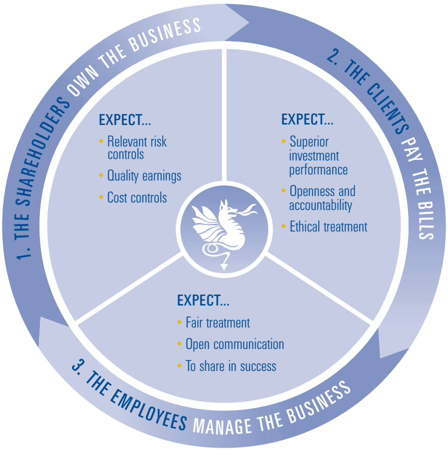
If this helps to describe to shareholders both the cause and effect of client actions during this bull market it should also, as long as we outperform, help them value our shares during the next bear market. At the point of its arrival though, we will be in a very different place from previous bear markets.

Not only have we continued to hone our skills by learning from past mistakes, but we have also a very different mix of business now from previously. While this mix will not make us immune, it should to some extent immunise us from some of the volatility that might be around the corner.

Client and employee longevity

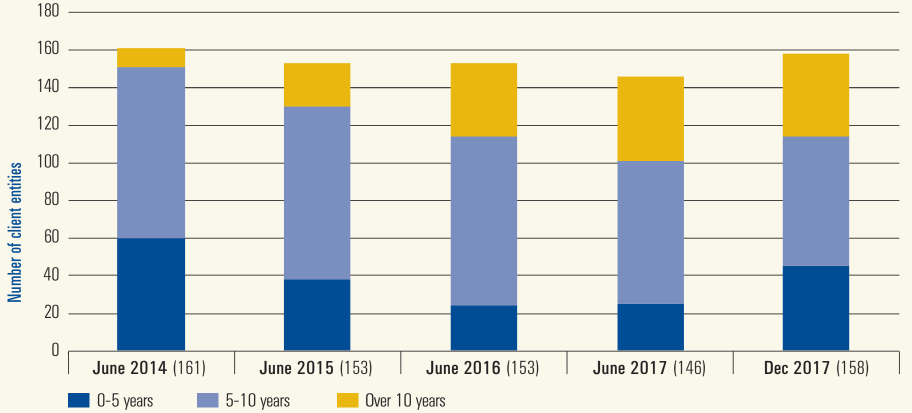
Via the following bar charts, shareholders can see the length of service of the major components of our P&L. I'm never really sure of the ingredients of this stability, but respect for colleagues is certainly a relevant component.

I continue to believe that having respect for the three Stakeholders in our business remains of paramount importance and that not defining the conflicts of interest shown below creates uncertainty, suspicion and encourages short term thinking.

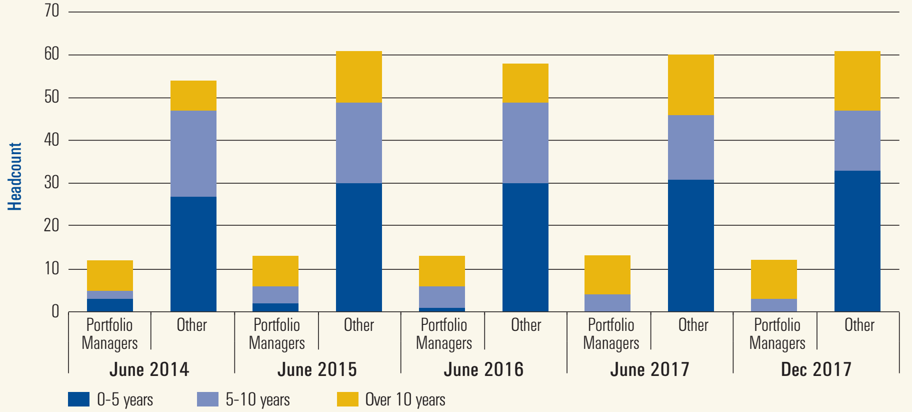


Our responsibility is to keep these three stakeholders in balance (avoid conflicts) and to ensure that each of their interests is safeguarded

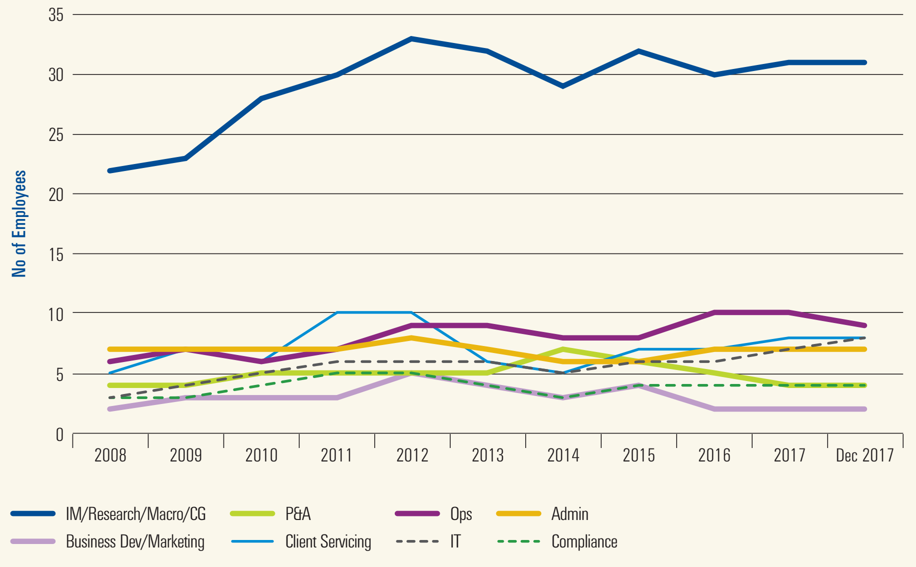
Client entity longevity



Employee longevity



Employees by department



Employees by department

Please review above the changing relationships in terms of the number of employees in each department over the past ten years.

In terms of these numbers, shareholders should note the relationship of the IM/Research/Macro and CG Team, and support staff. Also please note recent increases in Operations and IT staffing levels.

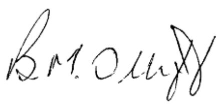
In my opinion it’s the job of Management in a well-run business to use Human Resources efficiently. The recent growth in Operations and IT staff should be seen in this context and should be commented on separately.

In terms of Operations, over the past few years the number of client accounts has doubled. While this business mix has changed we have kept the headcount down via the use of technology.

In terms of IT, we have developed many in-house IT solutions. These have not only kept costs down but in addition have allowed us to remain ahead of our peers in terms of the storage, retrieval and use of accurate customised data.

Staff

On behalf of shareholders I would like to thank my colleagues for their work as we continue to develop the business.



Barry Olliff
Chief Executive Officer
16th February 2018

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2017

	Note	Six months ended 31st Dec 2017 (unaudited) £	Six months ended 31st Dec 2016 (unaudited) £	Year ended 30th June 2017 (audited) £
Revenue				
Gross fee income	2	17,076,005	15,438,558	31,294,370
Commissions payable		(605,753)	(765,261)	(1,444,787)
Custody fees payable		(486,163)	(462,221)	(880,840)
Net fee income		15,984,089	14,211,076	28,968,743
Administrative expenses				
Staff costs		7,080,437	6,447,473	13,153,914
Other administrative expenses		2,275,926	1,992,243	4,074,975
Depreciation and amortisation		140,622	94,153	230,635
		(9,496,985)	(8,533,869)	(17,459,524)
Operating profit		6,487,104	5,677,207	11,509,219
Interest receivable and similar gains	3	81,804	122,459	81,135
Profit before tax		6,568,908	5,799,666	11,590,354
Income tax expense		(1,439,640)	(1,528,070)	(2,449,217)
Profit for the period		5,129,268	4,271,596	9,141,137
Profit attributable to:				
Equity shareholders of the parent		5,129,268	4,420,214	9,289,755
Non-controlling interest		–	(148,618)	(148,618)
Basic earnings per share	4	20.2p	17.6p	36.9p
Diluted earnings per share	4	20.0p	17.5p	36.7p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2017

	Six months ended 31st Dec 2017 (unaudited) £	Six months ended 31st Dec 2016 (unaudited) £	Year ended 30th June 2017 (audited) £
Profit for the period	5,129,268	4,271,596	9,141,137
Fair value gains on available-for-sale investments*	47,809	16,430	158,597
Reclassification of fair value gains on disposal of available-for-sale investments*	(70,702)	–	(253)
Foreign exchange (losses)/gains on non-monetary assets	(31,060)	31,664	33,732
Other comprehensive income	(53,953)	48,094	192,076
Total comprehensive income for the period	5,075,315	4,319,690	9,333,213
Attributable to:			
Equity shareholders of the parent	5,075,315	4,468,308	9,481,831
Non-controlling interest	–	(148,618)	(148,618)

*Net of deferred tax

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31ST DECEMBER 2017

	Note	31st Dec 2017 (unaudited) £	31st Dec 2016 (unaudited) £	30th June 2017 (audited) £
Non-current assets				
Property and equipment		500,766	524,141	560,774
Intangible assets		300,873	223,226	360,283
Other financial assets		38,461	1,050,556	34,660
Deferred tax asset		195,430	187,717	216,693
		1,035,530	1,985,640	1,172,410
Current assets				
Trade and other receivables		6,111,180	5,311,451	5,857,896
Available-for-sale financial assets		536,095	784,724	915,649
Other financial assets		216,081	–	135,547
Cash and cash equivalents		15,620,633	10,456,243	13,936,558
		22,483,989	16,552,418	20,845,650
Current liabilities				
Trade and other payables		(3,544,063)	(3,171,439)	(3,402,681)
Current tax payable		(507,791)	(722,060)	(418,513)
Creditors, amounts falling due within one year		(4,051,854)	(3,893,499)	(3,821,194)
Net current assets		18,432,135	12,658,919	17,024,456
Total assets less current liabilities		19,467,665	14,644,559	18,196,866
Non-current liabilities				
Deferred tax liability		(73,019)	(192,862)	(115,774)
Net assets		19,394,646	14,451,697	18,081,092
Capital and reserves				
Share capital		268,617	268,967	268,617
Share premium account		2,256,104	2,256,104	2,256,104
Investment in own shares	5	(4,066,413)	(4,930,654)	(4,355,887)
Fair value reserve		143,528	24,507	166,421
Share option reserve		410,328	537,439	442,379
EIP share reserve		352,801	–	101,497
Foreign exchange reserve		78,079	107,071	109,139
Capital redemption reserve		23,097	22,747	23,097
Retained earnings		19,928,505	16,165,516	19,069,725
Total equity		19,394,646	14,451,697	18,081,092

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2017

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	EIP share reserve £	Foreign exchange reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	NCI £	Total £
At 1st July 2017	268,617	2,256,104	(4,355,887)	166,421	442,379	101,497	109,139	23,097	19,069,725	18,081,092	–	18,081,092
Profit for the period	–	–	–	–	–	–	–	–	5,129,268	5,129,268	–	5,129,268
Comprehensive income	–	–	–	(22,893)	–	–	(31,060)	–	–	(53,953)	–	(53,953)
Total comprehensive income	–	–	–	(22,893)	–	–	(31,060)	–	5,129,268	5,075,315	–	5,075,315
Transactions with owners												
Share option exercise	–	–	401,630	–	(52,503)	–	–	–	52,503	401,630	–	401,630
Purchase of own shares	–	–	(112,156)	–	–	–	–	–	–	(112,156)	–	(112,156)
Share-based payment	–	–	–	–	20,452	–	–	–	–	20,452	–	20,452
EIP provision	–	–	–	–	–	251,304	–	–	–	251,304	–	251,304
Deferred tax	–	–	–	–	–	–	–	–	(27,262)	(27,262)	–	(27,262)
Current tax share options	–	–	–	–	–	–	–	–	34,897	34,897	–	34,897
Dividends paid	–	–	–	–	–	–	–	–	(4,330,626)	(4,330,626)	–	(4,330,626)
Total transactions with owners	–	–	289,474	–	(32,051)	251,304	–	–	(4,270,488)	(3,761,761)	–	(3,761,761)
As at 31st December 2017	**268,617**	**2,256,104**	**(4,066,413)**	**143,528**	**410,328**	**352,801**	**78,079**	**23,097**	**19,928,505**	**19,394,646**	**–**	**19,394,646**

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	EIP share reserve £	Foreign exchange 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	563,350	–	75,407	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 options	–	–	–	–	–	–	–	–	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	537,439	–	107,071	22,747	16,165,516	14,451,697	–	14,451,697

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONTINUED

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	EIP share reserve £	Foreign exchange 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	563,350	–	75,407	22,747	15,593,570	13,489,306	631,943	14,121,249
Profit for the period	–	–	–	–	–	–	–	–	9,289,755	9,289,755	(148,618)	9,141,137
Comprehensive income	–	–	–	158,344	–	–	33,732	–	–	192,076	–	192,076
Total comprehensive income	–	–	–	158,344	–	–	33,732	–	9,289,755	9,481,831	(148,618)	9,333,213
Transactions with owners												
Derecognisation of NCI investment	–	–	–	–	–	–	–	–	–	–	(483,325)	(483,325)
Share option exercise	–	–	1,132,727	–	(147,464)	–	–	–	147,464	1,132,727	–	1,132,727
Purchase of own shares	–	–	(189,698)	–	–	–	–	–	–	(189,698)	–	(189,698)
Share cancellation	(350)	–	–	–	–	–	–	350	(128,007)	(128,007)	–	(128,007)
Share-based payment	–	–	–	–	26,493	–	–	–	–	26,493	–	26,493
EIP provision	–	–	–	–	–	101,497	–	–	–	101,497	–	101,497
Deferred tax	–	–	–	–	–	–	–	–	124,750	124,750	–	124,750
Current tax share options	–	–	–	–	–	–	–	–	90,158	90,158	–	90,158
Dividends paid	–	–	–	–	–	–	–	–	(6,047,965)	(6,047,965)	–	(6,047,965)
Total transactions with owners	(350)	–	943,029	–	(120,971)	101,497	–	350	(5,813,600)	(4,890,045)	(483,325)	(5,373,370)
As at 30th June 2017	268,617	2,256,104	(4,355,887)	166,421	442,379	101,497	109,139	23,097	19,069,725	18,081,092	–	18,081,092

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2017

	Six months ended 31st Dec 2017 (unaudited) £	Six months ended 31st Dec 2016 (unaudited) £	Year ended 30th June 2017 (audited) £
Cash flow from operating activities			
Operating profit	6,487,104	5,677,207	11,509,219
Adjustments for:			
Depreciation charges	93,930	68,633	167,748
Amortisation of intangible assets	46,692	25,520	62,886
Share-based payment charge	20,452	34,269	26,493
EIP charge	251,304	–	101,497
Fair value gain on investments	–	69,066	35,367
Translation adjustments	147,040	(132,793)	(57,966)
Loss on disposal of fixed assets	–	202	202
Cash generated from operations before changes in working capital	7,046,522	5,742,104	11,845,446
Increase in trade and other receivables	(253,285)	(267,344)	(813,789)
Increase in trade and other payables	141,382	49,068	280,310
Cash generated from operations	6,934,619	5,523,828	11,311,967
Interest received	21,785	14,883	28,925
Interest paid	–	–	(64,064)
Taxation paid	(1,358,849)	(1,496,140)	(2,764,001)
Net cash generated from operating activities	5,597,555	4,042,571	8,512,827
Cash flow from investing activities			
Purchase of property and equipment	(52,263)	(177,240)	(485,345)
Proceeds from sale of property and equipment	–	–	–
Purchase of non-current financial assets	(1,480)	(810)	(768)
Proceeds from sale of non-current financial assets	71	–	2,538
Proceeds from sale of subsidiary	–	–	1,073,438
Purchase of current financial assets	(148,037)	–	(155,963)
Proceeds from sale of current financial assets	443,623	–	–
Net cash generated from/(used in) investing activities	241,914	(178,050)	433,900
Cash flow from financing activities			
Ordinary dividends paid	(4,330,626)	(4,021,119)	(6,047,965)
Purchase and cancellation of own shares	–	–	(128,007)
Purchase of own shares by employee benefit trust	(112,156)	–	(189,698)
Proceeds from sale of own shares by employee benefit trust	401,630	368,262	1,132,727
Net cash used in financing activities	(4,041,152)	(3,652,857)	(5,232,943)
Net increase in cash and cash equivalents	1,798,317	211,664	3,713,784
Cash and cash equivalents at start of period	13,936,558	10,150,799	10,150,799
Effect of exchange rate changes	(114,242)	93,780	71,975
Cash and cash equivalents at end of period	15,620,633	10,456,243	13,936,558

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 2017 has been extracted from the latest published audited accounts. The report of the independent auditor on those condensed financial statements contained no qualification or statement under s498(2) or (3) of the Companies Act 2006.

These condensed 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 2017, 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 2017.

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 condensed financial statements.

As at 31st December 2017 the Company held 39% in one of the Group’s funds, the International Equity CEF Fund, on a temporary basis pending subsequent investment by external investors. Therefore, in the judgement of the management it has been treated as an available-for-sale financial asset at the reporting date. There would have been no significant difference in the net assets of the Group if the fund had been consolidated.

As of 1st January 2018 the fund received third party funding reducing the Company’s holding to 2%.

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 2017						
Revenue	15,757,242	502,842	235,029	580,892	–	17,076,005
Non-current assets:						
Property and equipment	361,800	–	93,275	–	45,691	500,766
Intangible assets	283,382	–	17,491	–	–	300,873
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
Year to 30th June 2017						
Revenue	28,893,685	983,509	463,821	953,355	–	31,294,370
Non-current assets:						
Property and equipment	413,257	–	107,080	–	40,437	560,774
Intangible assets	339,876	–	20,407	–	–	360,283

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

	Six months ended 31st Dec 2017 (unaudited) £	Six months ended 31st Dec 2016 (unaudited) £	Year ended 30th June 2017 (audited) £
Interest	21,785	14,883	28,925
Gain on sale of investments	60,019	–	187,142
Unrealised gain/(loss) on investments	–	107,576	(70,868)
Interest payable on restated US state tax returns	–	–	(64,064)
	81,804	122,459	81,135

4 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of £5,129,268 (30th June 2017 – £9,289,755; 31st December 2016 – £4,420,214) divided by the weighted average number of ordinary shares in issue for the six months ended 31st December 2017 of 25,427,142 (30th June 2017 – 25,188,897; 31st December 2016 – 25,096,005).

As set out in note 5 the Employee Benefit Trust held 1,365,935 ordinary shares in the company as at 31st December 2017. 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 £5,129,268 (30th June 2017 – £9,289,755; 31st December 2016 – £4,420,214) divided by the diluted weighted average number of ordinary shares in issue for the six months ended 31st December 2017 of 25,596,064 (30th June 2017 – 25,316,917; 31st December 2016 – 25,287,295).

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 2017 the Trust held 1,078,509 ordinary 1p shares (30th June 2017 – 1,477,935; 31st December 2016 – 1,720,213), of which 886,092 ordinary 1p shares (30th June 2017 – 1,062,342; 31st December 2016 – 1,376,620) were subject to options in issue.

The Trust also held in custody 287,426 ordinary 1p shares (30th June 2017 – nil; 31st December 2016 – nil) for employees in relation to restricted share awards granted in October 2017 under the Group's new Employee Incentive Plan.

6 DIVIDENDS

A final dividend of 17p per share in respect of the year ended 30th June 2017 was paid on 31st October 2017.

An interim dividend of 9p per share (2017 – 8p) in respect of the year ended 30th June 2018 will be paid on 16th March 2018 to members registered at the close of business on 2nd March 2018.

7 PRINCIPAL RISKS AND UNCERTAINTIES

In the course of conducting its business operations, the Group is exposed to a variety of risks including market, liquidity, operational and other risks that may be material and require appropriate controls and on-going oversight.

Each department/line of business reviews its risks and business processes and these are assigned both an inherent and residual risk rating, as whilst all risk cannot be eliminated, the aim is to proactively identify and manage those risks that have been identified.

The Board has established a Risk and Compliance Committee ("the RCC") which is chaired by the Head of Compliance. The other members of the RCC are the four executive Directors, the US Chief Compliance Officer and a representative covering US Corporate Governance.

The principal risks to which the Group will be exposed in the second half of the financial year are substantially the same as those described in the last annual report (see pages 26 to 27), being the potential for loss of funds under management as a result of poor investment performance, client redemptions, breach of mandate guidelines or market volatility, loss of key personnel, business continuity, legal and regulatory risks.

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 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 liability, 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.

8 FINANCIAL INSTRUMENTS CONTINUED

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.

Group

31st December 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	574,556	–	574,556
Total	–	574,556	–	574,556
Financial assets at fair value through profit or loss				
Investment in other financial assets	216,081	–	–	216,081
Forward currency trades	–	121,323	–	121,323
Total	216,081	121,323	–	337,404

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

8 FINANCIAL INSTRUMENTS CONTINUED

30th June 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	950,309	–	950,309
Total	–	950,309	–	950,309
Financial assets at fair value through profit or loss				
Investment in other financial assets	135,547	–	–	135,547
Forward currency trades	–	65,151	–	65,151
Total	135,547	65,151	–	200,698

Level 3

Level 3 assets as of 31st December 2017 consist of nil (30th June 2017: nil; 31st December 2016: nil).

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.

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 profit reported for the period is £57,998 (30th June 2017: net loss £90,181; 31st December 2016: net loss £136,867).

9 GENERAL

The interim financial statements for the six months to 31st December 2017 were approved by the Board on 16th February 2018. 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 2017 which comprises Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes. 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 and for the purpose of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. Our review 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 and presenting 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 International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The condensed 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 of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

16th February 2018

SHAREHOLDER INFORMATION

Registered office
77 Gracechurch Street
London
EC3V 0AS

Registered number
2685257

Company Secretary
Philippa Keith

Financial adviser and broker
Zeus Capital
10 Old Burlington Street
London
W1S 3AG

Auditors
RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Bankers
The Royal Bank of Scotland plc
London City Office
62-63 Threadneedle Street
London
EC2R 8LA

Registrar
Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

By phone on 0871 664 0300 from the UK and +44 371 664 0300 from overseas. *(Calls cost 12 pence per minute plus network extras. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9am to 5:30pm Mon – Fri, excluding public holidays in England and Wales).*

By email:
enquiries@linkgroup.co.uk

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London office
77 Gracechurch Street
London
EC3V 0AS
United Kingdom

Telephone: + 44 (0) 207 711 0771
Facsimile: + 44 (0) 207 711 0772

US East Coast office
The Barn
1125 Airport Road
Coatesville, PA 19320
United States
Telephone: + 1 610 380 2110
Facsimile: + 1 610 380 2116

US West Coast office
Plaza Center
10900 NE 8th Street
Suite 1519
Bellevue, WA 98004
United States
Telephone: + 1 610 380 0090

Singapore office
20 Collyer Quay
#10-04
Singapore 049319

Telephone: + 65 6236 9136
Facsimile: + 65 6532 3997

Dubai office
Unit 2, 2nd Floor
The Gate Village Building 1
Dubai International Financial Centre
PO Box 506695
Dubai
United Arab Emirates

Telephone: + 971 (0)4 423 1780
Facsimile: + 971 (0)4 437 0510

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