HALF YEAR REPORT **2020/21**

CITY OF LONDON
Investment Group PLC

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CITY OF LONDON
Investment Management Company Limited

Karpus
Investment
Management

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

The Group has expanded its range by merging with Karpus Investment Management (KIM) to provide closed-end fund strategies to wealth management clients.

Contents

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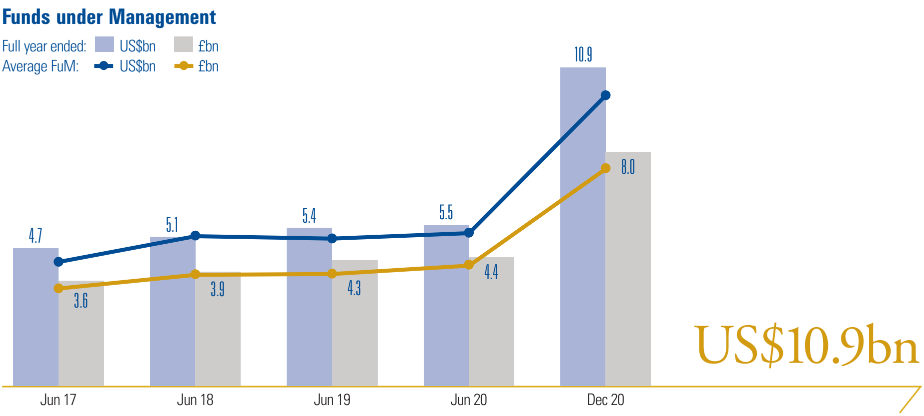
HALF YEAR SUMMARY

- Funds under Management (FuM) of US$10.9 billion (£8.0 billion) at 31st December 2020 (post-merger). This compares with US$5.5 billion (£4.4 billion) at the beginning of this financial year on 1st July 2020 and US$6.0 billion (£4.5 billion) at 31st December 2019 (pre-merger)
- FuM at 31st January 2021 of US$11.1 billion (£8.1 billion)
- Net fee income representing the Group's management fees on FuM was £22.6 million (31st December 2019: £16.4 million)
- Underlying profit before tax* was £11.2 million (31st December 2019: £6.2 million). Profit before tax was £8.8 million (31st December 2019: £6.3 million)
- Increased interim dividend to 11p per share (31st December 2019: 10p) payable on 19th March 2021 to shareholders on the register on 5th March 2021



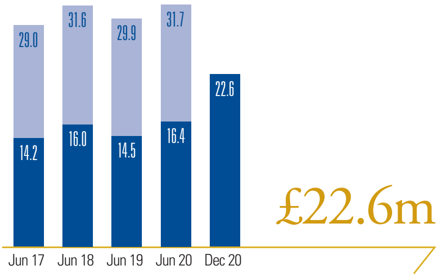
This release includes forward-looking statements, which may differ from actual results. Any forward-looking statements are based on certain factors and assumptions, which may prove incorrect, and are subject to risks, uncertainties and assumptions relating to future events, the Group's operations, results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

** This is an Alternative Performance Measure (APM). Please refer page 9 for more details on APMs.*

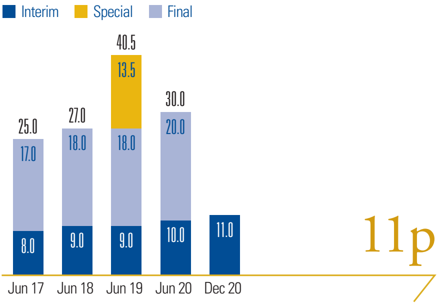
HALF YEAR SUMMARY

CONTINUED

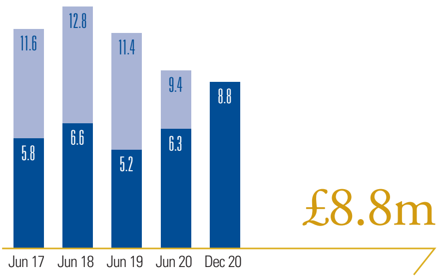
Net fee income £m



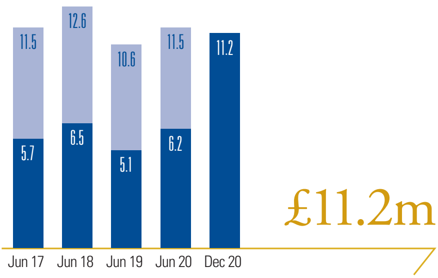
Dividends paid and proposed per share pence



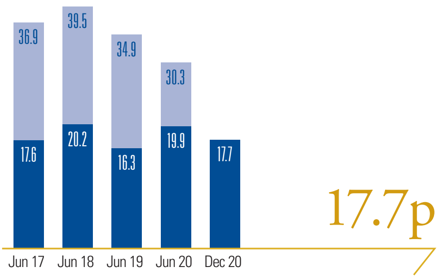
Profit before tax £m



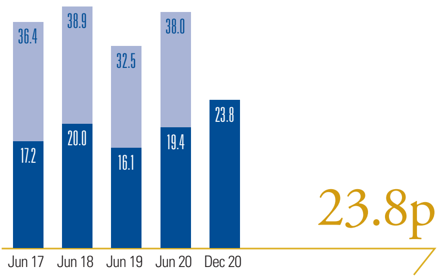
Underlying profit before tax* £m



Basic earnings per share pence



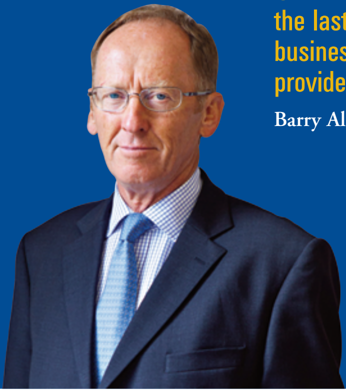
Underlying earnings per share* pence



First half year   Second half year

** This is an Alternative Performance Measure (APM). Please refer page 9 for more details on APMs.*

CHAIRMAN'S STATEMENT



"Our results through the very testing conditions of the last six months and the increasingly diverse business mix that will flow from the KIM merger, provide a sound basis for cautious optimism."

Barry Aling Chairman

If a salutary reminder was needed of the degree to which globalisation has made the world economically interdependent, the COVID-19 pandemic of 2020 has provided it like no other in the post-war era. Re-reading my last interim statement, written just four weeks before global lockdowns led to a free-fall in equity markets, provides an emphatic reminder that managing extreme volatility is integral to the investment philosophy that we employ in managing clients' assets. This value-driven philosophy underpins the rationale that we employed on behalf of our shareholders, as we successfully completed the KIM merger in October, an event to which I will return below. For reasons of consistency and comparison, commentary in this report relating to assets and performance will refer to our two post-merger operating companies separately, City of London Investment Management (CLIM) and Karpus Investment Management (KIM), while financial and shareholder-related information will refer generally to the holding company, CLIG.

CLIG & COVID

Our CEO, Tom Griffith, will set out in his report some of the challenges and achievements that were addressed over the last six months in confronting the need for remote working for extended periods across our entire business. Although much preparatory groundwork was in place to handle "conventional" disaster recovery events, no one could have foreseen the scale and length of disruption caused by COVID-19. The positive results for the half-year period, which are detailed in this report, are due in no small measure to a working philosophy of "going the extra mile" across the whole Group. To that end, I want to extend the Board's sincere thanks and appreciation to Tom and all of our employees, including those at KIM, for their superb efforts in navigating these challenges with such dedication and professionalism.

Cautious optimism for 2021

Thankfully, the evolution of co-ordinated central bank intervention in the major OECD economies has helped mitigate the immediate domino effect of economic contraction in terms of employment and socio-economic hardship, albeit at considerable cost. In turn, these measures have allowed asset markets to look beyond the current hiatus to the recovery potential that will emerge in the post-vaccine medium term. The ironic outcome is that while governments across the globe battled with unprecedented threats to public health in 2020, fiscal pump-priming propelled many equity markets to all-time highs. In comparison with Europe and North America, the impact of COVID-19 on many emerging economies was more modest, which may help to explain the strong relative performance of the MXEF emerging market index which closed the year at 1291, up 31% from the June closing level, outstripping the recovery in the key global equity indices.

While many will hope that the new US President will encourage a less polarised political discourse in both the domestic and international arenas, there is little doubt that he faces many of the same challenges as his predecessor, be it COVID-19, trade friction or an unsustainable deficit. While a de-escalation in trade friction will assist the post-pandemic global recovery, the possibility of higher taxes and anti-trust policies towards the tech giants from a Democratic administration could test inflated US equity valuations, notably in the Nasdaq universe. Although debt markets remain subdued, the slight rise on US Treasury yields over the last six months suggests early signs that asset price inflation could seep into the wider economy later in the year. But while emerging equity and domestic debt markets cannot be immune to these challenges, the EM space in particular continues to represent compelling value with consensus estimates of an MXEF forward price earnings ratio of 15.6, less than half the equivalent rating for Nasdaq.

Assets and performance

The rebound in CLIM assets from the March 2020 lows continued apace virtually throughout the half year to 31st December 2020 with total funds under management (FuM) rising 31% to an all-time high of US$7.2 billion with strong gains made in both the emerging and international products. FuM level in international strategies reached US$1.7 billion at the end of 2020. Likewise, relative performance of all strategies, which suffered from a dramatic widening of closed-end fund (CEF) discounts in March/April, made excellent progress in the latest half year. The emerging market product posted a relative gain of 6.4%, developed 14.6% and opportunistic value 11.6% against their respective benchmarks over the last six months with the result that more than 95% of CLIM's FuM achieved above average performance for 2020 as a whole.

Undoubtedly, a major contributor to this success lies in the sharp narrowing of discounts in the CEF universe over recent months. In the EM strategy for example, the size weighted average discount (SWAD) narrowed from a March high of 22.8% to 14.6% at year-end. While it is true that this rate of discount narrowing is, by definition, unsustainable, a year-end SWAD in the mid-teens is still well above the longer term averages, suggesting that further upside is still possible from this single metric.

Although the KIM merger was only completed on 1st October 2020, it is important for shareholders to view its performance over that three-month period against 2020 as a whole in order to see the underlying trends in the business. KIM's FuM over the last six months rose 6% to US$3.7 billion, an all-time record level and an increase of 34% from the 2020 lows in March. The pace of recovery in KIM's FuM during 2020 reflects the more muted trading conditions in US debt markets, which account for c.60% of KIM's assets but it was particularly pleasing to note that more than 98% of KIM's client assets were retained in the wake of the merger, signalling a very high level of client loyalty to the KIM brand. Of equal importance is the fact that the range of overall FuM levels at KIM across calendar 2020 was just 34% between the March lows and year-end (US$2.8 – US$3.7 billion), compared with 91% (US$3.8 – US$7.2 billion) for CLIM. This countervailing trend in asset volatility represents a central positive factor in the long-term benefits that should derive from the merger.

Results

Profit before tax for the combined entity for the six months to 31st December 2020 was £8.8 million (31st December 2019: £6.3 million). Underlying profit before tax* for the combined entity for the six months to 31st December 2020 was £11.2 million (31st December 2019: £6.2 million). These results include a robust three-month contribution from KIM of £3.4 million in the latest quarter and £7.8 million from CLIM over the full period, the latter equating to a 26% year-on-year increase. Net fee income of £22.6 million included £5.1 million from KIM and £17.5 million from CLIM, the latter a 6% YOY

** This is an Alternative Performance Measure (APM). Please refer page 9 for more details on APMs.*

increase. Although CLIM's FuM rose 31% over the six months, average FuM across the six-month period was only 14% ahead of the comparable figure for 2019, in addition to which US dollar weakness and a slightly lower average fee margin of 74bp pared the gain somewhat in sterling terms. Once again, an encouragingly high level of participation in the Employee Incentive Plan (EIP) served to further align the interests of shareholders and employees while access to this Plan will be extended to KIM employees for the first time in the current year. Fully diluted earnings per share for the first half were 17.4p per share on a statutory basis, while underlying fully diluted earnings per share* were 23.4p, an increase of 24% YOY.

Dividends

The recovery momentum achieved in the first half of our financial year, added to the impetus provided by the KIM merger from October provides grounds for cautious optimism for the year as a whole. To that end, your Board is pleased to announce a 1p increase in the interim dividend to 11p per share, equivalent to a 10% increase. This increase makes full provision for the merger-related costs that will impact reported profits in the current year and, within the policy parameters of 1.2 times cover on a five-year rolling basis, leaves the Group with a prudent margin of "headroom" for any unforeseen events in the second half of the year.

The Board

Following the KIM merger, we were delighted to welcome George Karpus as a non-independent, Non-Executive Director (NED) and Dan Lippincott as an Executive Director in October. Although the pandemic has restricted our ability to meet physically in the early post-merger period, George and Dan have already participated actively in the Board's deliberations.

Susannah Nicklin resigned from the Board in September 2020 after serving three years as a NED and we would like to thank Susannah for her valuable contribution to the Group during a transformative period in its development. Rian Dartnell, who served as a Director for five years from 2011 to 2016, rejoined the Board following Susannah's departure. Given Rian's extensive experience in the asset management industry and his familiarity with CLIG over many years, we are pleased to welcome him back into the fold. In the wake of Susannah's departure, Peter Roth was appointed Senior Independent Director while Rian has assumed Chair of the Remuneration Committee and Jane Stabile has replaced Susannah as Chair of the Nomination Committee.

Following these changes, we anticipate a transitional period before we are able to restore the appropriate level of independent representation at the Board level, as defined in the UK Corporate Governance Code. Post 31st December 2020, Tazim Essani has joined the Board as an independent NED from 1st February 2021. Tazim has over 30 years of experience and has a significant track record in strategy and M&A in financial services in the UK and internationally covering integration, management transition and realisation of synergy benefits.

Outlook

Disruptive though the pandemic has been for so many, it has in some ways accelerated the development of technology-led working practices that might otherwise have taken several years. We believe that these trends can assist us in harnessing the potential gains that can flow from the KIM merger more quickly than might otherwise have been the case as we address operational integration of the two businesses. At the same time, rigorous attention to value-driven investment processes for institutional and wealth management clients alike, together with prudential cost controls will remain core drivers in meeting our performance objectives. Our results through the very testing conditions of the last six months and the increasingly diverse business mix that will flow from the KIM merger, provide a sound basis for cautious optimism.

Barry Aling
Chairman
12th February 2021

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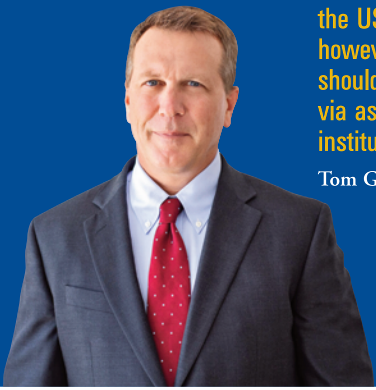
CHIEF EXECUTIVE OFFICER'S REVIEW



"Global markets remain volatile due to tensions between the US and China and the slow pace of vaccine roll-outs, however with the addition of the KIM team, shareholders should receive the benefits of a more diversified Group via asset class exposure and a mix of retail and institutional clients."

Tom Griffith Chief Executive Officer

Merger details

On 13th July 2020, CLIG shareholders approved the acquisition of the entire issued share capital of KIM, a US-based investment management business, on a debt free basis, satisfied through the issuance of newly created CLIG shares. As announced on 1st October 2020, the merger of CLIG with KIM was completed and KIM's client approval process resulted in approximately 98% of client assets being retained.

On a consolidated basis, as of 1st October 2020 CLIG managed client assets of US$9.5 billion via the two wholly-owned subsidiaries. As of 31st December 2020, the combined FuM was US$10.9 billion (31st December 2019: US$6.0 billion).

Integration update

The integration of the Finance and Information Technology functions of the KIM business has been a focus for your management team. From a Finance perspective, KIM's professionals are working with CLIG's Head of Finance, Deepranjan Agrawal, to achieve the enhanced reporting required by a London-listed plc. From an IT perspective, CLIG's cybersecurity, acceptable use, and other related policies are being implemented at KIM, with corresponding modifications of KIM's infrastructure.

COVID-19 update

As highlighted in the 4th January 2021 "Letter from the CEO" published to the citlon.co.uk website, over 90% of our colleagues are currently working remotely. We intend to continue to work remotely in order to reduce the risk of virus transmission, and we do not expect employees back in their local offices in any meaningful number until the summer of 2021. Team members are able to securely connect to all systems and have been provided with additional hardware where necessary. We continue to provide employees with a weekly newsletter summarising virus-related updates, cybersecurity threats, and personal stories. To foster interaction between colleagues, and to combat any feelings of professional isolation as the remote working environment moves towards a full calendar year, we have contracted with a third-party vendor to provide a series of virtual "team connection events" during the winter and spring.

The extended period of quarantines and necessity to work remotely has focused our team on implementing solutions to further enhance the efficiency of the remote working experience for our colleagues. Many of the solutions being implemented have the dual effect of reducing our carbon footprint. For example, electronic signatures, notarisation and facsimile solutions and transitioning pay-slips to electronic platforms all significantly reduce paper usage, peripheral equipment requirements and the energy to produce the paper and power the equipment.

The extended period of quarantines has also forced many constituents in the financial industry to adapt to remote working. In many cases, the industry's resistance/reluctance to change has been a barrier. The broad industry adoption of "green" solutions such as meetings via video conference rather than in-person and electronic signatures rather than wet signatures has moved forward adoption of these solutions and enhanced the technological advancement in these areas.

Current events have emphasised the need for companies in the financial service industry to effectively work remotely. While the technology enables robust and secure remote working capabilities across the organisation, the collegiate culture of my CLIG colleagues is the secret sauce that pulls it all together. While some suggest that the improved ability to work remotely may change working practices in the post-pandemic world, we believe that interaction with colleagues, knowledge transfer, oversight and risk mitigation are all enhanced by being together in the same location.

FuM update

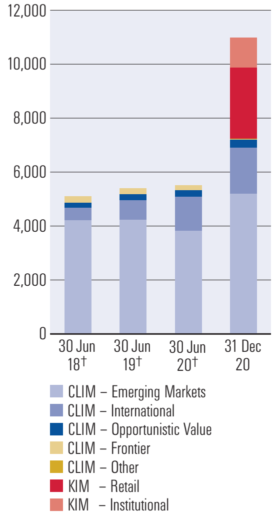
At the end of December, CLIG managed, via the two subsidiaries, US$10.9 billion for their clients. As the KIM business is now under the CLIG umbrella, our reporting on FuM will reflect the two entities, so that our shareholders are able to understand the evolution of the two businesses under different market conditions – for example, KIM manages a mix of equity and fixed income assets for their clients, with approximately 60% of FuM in fixed income securities which are less volatile. As such, in this recent "risk rally", KIM's asset growth was relatively stable, while CLIM's FuM grew by 31% reflecting the circa 72% of client assets in Emerging Market equities. Additional details can be found in the tables and commentary following.

CLIG – FuM by line of business (US$m)

	30 Jun 18		30 Jun 19		30 Jun 20		31 Dec 20	
CLIM	US$m	% of CLIM total*	US$m	% of CLIM total*	US$m	% of CLIM total*	US$m	% of CLIG total
Emerging Markets	4,207	83%	4,221	78%	3,828	69%	5,196	47%
International	480	9%	729	14%	1,244	23%	1,700	16%
Opportunistic Value	174	3%	233	4%	256	5%	306	3%
Frontier	245	5%	206	4%	175	3%	14	0%
Other/REIT	1	0%	7	0%	9	0%	13	0%
CLIM total	5,107	100%	5,396	100%	5,512	100%	7,229	66%

	30 Jun 18		30 Jun 19		30 Jun 20		31 Dec 20	
KIM	US$m	% of KIM total*	US$m	% of KIM total*	US$m	% of KIM total*	US$m	% of CLIG total
Retail	2,098	67%	2,291	67%	2,401	69%	2,630	24%
Institutional	1,019	33%	1,105	33%	1,087	31%	1,077	10%
KIM total	3,117	100%	3,396	100%	3,488	100%	3,707	34%
CLIG total							10,936	100%

* Pre-merger.



† Pre-merger CLIM only.

FuM flows

As mentioned by the Chairman, the second half of 2020 saw global equity markets, and risk assets generally, appreciate, as investors viewed the ongoing COVID-19 vaccine approvals and then inoculations positively from an economic recovery perspective. Fixed income securities, especially US dollar denominated, underperformed equities as the US Federal Reserve pledged to keep short-term rates near zero into 2023. This equity market appreciation boosted CLIG's FuM, specifically as the MSCI Emerging Markets Index increased by 31% over the past six months.

Both CLIM and KIM saw net redemptions over the six-month period. After a period of strong absolute and relative performance, clients rebalanced in order to meet asset allocation targets. In the 2020 Annual Report & Accounts, I highlighted that we expected future outflows from the CLIM Frontier strategy post financial year end – these outflows have now occurred, as the strategy lost US$169 million over the six months.

Financial results

This is the first period whereby KIM's financial results are consolidated as a Group company. The Group's net fee income over the period was £22.6m, with £5.1m from the KIM business, reflecting only one quarter of earnings since the merger on 1st October 2020. Additionally, the dollar weakened during this period – over 95% of CLIM's fee income is USD denominated, whilst 100% of KIM's fee income is USD denominated, so the weaker dollar provided less GBP compared to six months ago. The chart below shows the effect of converting US dollars to sterling at various exchange rates in terms of annual after-tax income based on varying levels of FuM.

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

FuM US$bn:	9.5	10.2	10.9	11.6	12.3
US$/£			Post-tax, £m		
1.26	21.7	24.2	26.7	29.2	31.7
1.31	20.7	23.1	25.5	27.9	30.3
1.36	19.8	22.1	24.5	26.8	29.1
1.41	19.0	21.2	23.5	25.7	27.9
1.46	18.2	20.4	22.5	24.7	26.8

Assumptions:	CLIM	KIM
1. Average net fee	73bps	77bps
2. Annual operating costs	£6m plus US$8m plus S$1m (£1 = S$1.80)	US$8m
3. Average tax	21%	24%

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.

Net investment flows (US$000's)

CLIM	FYE Jun 2018	FYE Jun 2019	FYE Jun 2020	FY 2021, as of Dec 2020
Emerging Markets	(215,083)	(183,521)	(279,459)	(46,600)
International	279,394	252,883	551,102	(11,867)
Opportunistic Value	54,251	48,236	45,914	(5,015)
Frontier	67,000	(21,336)	16,178	(169,443)
REIT	–	6,000	4,600	–
CLIM total	**185,562**	**102,262**	**338,335**	**(232,925)**

KIM	FYE Jun 2018*	FYE Jun 2019*	FYE Jun 2020*	FY 2021, as of Dec 2020†
Retail	46,550	33,701	26,323	(62,441)
Institutional	(107,410)	9,050	(67,087)	(99,245)
KIM total	**(60,860)**	**42,751**	**(40,764)**	**(161,686)**

* Pre-merger.
† Includes net investment flows for Retail – (24,407) and Institutional – (20,264) pertaining to period before 1st October 2020 (pre-merger).

Alternative Performance Measures

The Directors use the following Alternative Performance Measures (APMs) to evaluate the performance of the Group as a whole:

Underlying profit before tax – Profit before tax, adjusted for gain/loss on investments, acquisition-related costs and amortisation of acquired intangibles. This provides a measure of the profitability of the Group for management's decision making.

Underlying earnings per share – Underlying profit before tax, adjusted for tax as per income statement, tax effect of adjustments and non-controlling interest, divided by the weighted average number of shares in issue as at the period end.

Underlying profit and profit before tax	Dec 20 £000's	Dec 19 £000's	Jun 20 £000's
Net fee income	22,599,770	16,442,291	31,671,002
Administrative expenses	(11,355,646)	(10,266,420)	(20,072,617)
Net interest paid	(54,479)	(11,470)	(56,146)
Underlying profit before tax	11,189,645	6,164,401	11,542,239
Add back:			
Gain/(loss) on investments	454,278	168,559	(887,543)
Acquisition-related costs	(1,743,424)	–	(1,248,195)
Amortisation on acquired intangibles	(1,083,395)	–	–
Profit before tax	8,817,104	6,332,960	9,406,501

Investment performance

Relative investment performance at both CLIM and KIM was strong for a majority of strategies, as the volatility in the markets provided a favourable trading environment for the respective portfolio management teams. Additional tailwinds were provided by closed-end fund (CEF) discounts narrowing, as investors increased their demand for exposure to equity markets on the back of the continued accommodative monetary policy by central banks globally.

For CLIM, the EM and International CEF products outperformed for the six-month period due to discount narrowing and NAV performance. CLIM's Opportunistic Value strategy also saw narrowing discounts and outperformed due to a tactical overweight to equities. Both of CLIM's relatively new REIT strategies (International & EM) outperformed due to country allocation and stock selection. CLIM's Frontier strategy was an outlier, underperforming during the period due to country allocation. As of 31st December 2020, the Frontier strategy makes up less than 1% of CLIM's FuM.

For KIM, commentary is focused on the three-month performance since the merger completed on 1st October 2020. Five of KIM's six strategies outperformed over the quarter, with only the International Equities strategy underperforming by less than one percentage point. Outperformance over the quarter in the taxable and tax-sensitive fixed income strategies was generated from multiple sources. In equity-based strategies, an overweight to small-caps, combined with discount narrowing in the CEFs, drove relative outperformance.

Dividend and cash

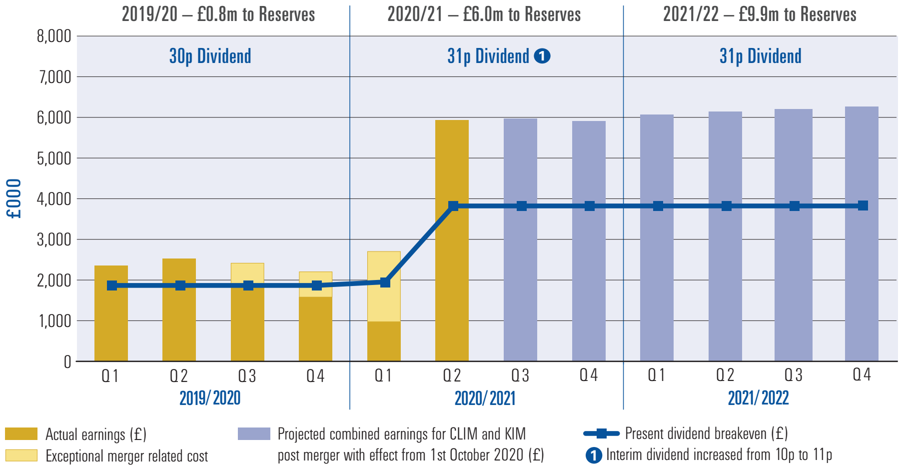
In recognition of the improved results and having regard to the current dividend cover policy the Board has decided to increase the interim dividend by 1 pence to 11 pence per share, which will be paid on 19th March 2021 to shareholders registered at the close of business on 5th March 2021 (2019: 10 pence).

Inclusive of our regulatory and statutory capital requirements, cash in the bank has risen from £14.6 million at 30th June 2020 to £17.5 million at the end of the calendar year, in addition to the seed investment of £4.1 million in the two REIT funds. Our cash reserves will allow us to continue managing the business conservatively through volatile markets while following our dividend policy for our shareholders.

Dividend cover template

The Board retains the policy of distributing a proportion of net profits by way of ordinary dividends, with a target of a 1.2x coverage ratio over a rolling five-year period. The dividend coverage ratio over the rolling five years is 1.32x, ahead of the policy. Our dividend cover template can be found at https://www.citlon.com/investor-relations/dividend-cover.php, and is also shown below. As mentioned in the 2020 Annual Report & Accounts, we strive to be transparent in our approach to managing the balance between maintaining adequate cash reserves to weather shocks to the business, and maintaining an attractive dividend stream for our shareholders. We will monitor, and report upon, the appropriateness of the 1.2x coverage ratio policy over the coming years as we integrate the KIM business.

Template – dividend cover
Actual and assumed over three financial years



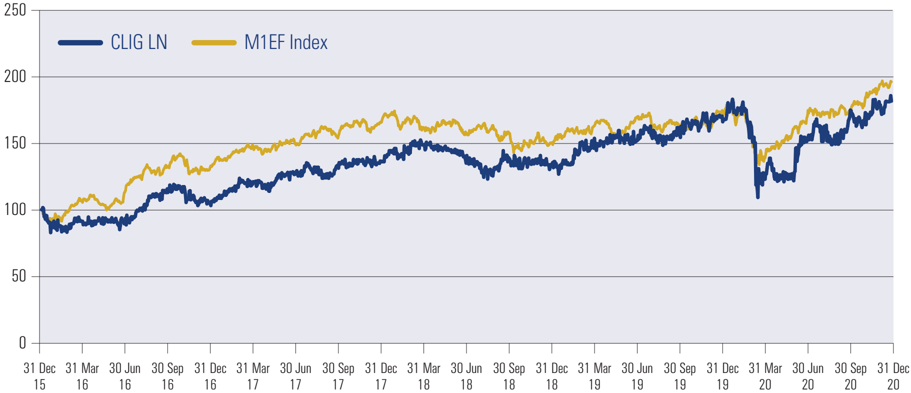
Notes: Excludes unrealised gains on seed investments. Assumptions made in 2019 interim accounts for 2020/21 have not been included as they related to CLIG pre-merger

Key assumptions:

- Number of CLIG Shares in issue (26.6m) less those held by the Employee Benefit Trust (1.7m) as at 30th September 2020
- Number of CLIG Shares in issue (50.7m) less those held by the Employee Benefit Trust (1.4m) as at 31st December 2020
- Excludes unrealised gain/loss on seed investments
- Excludes amortisation of any intangibles arising on the merger

	CLIM	KIM
• Starting FuM as at:	1-Jan-21	1-Jan-21
• Net increase in FuM for the remainder of this financial year (straight-lined to June 2021):	Zero	Zero
• Net increase in FuM in 2021/2022 (straight-lined to June 2022):	US$250m	US$135m
• Market growth:	0%	0%
• Overheads for 2020/21:	No change	No change
• Overheads for 2021/22:	+3% compared to 2020/21	No change
• Corporation tax based on an estimated average rate:	21%	24%
• Exchange rate assumed to be for entire period:	£1/US$1.37	£1/US$1.37

CLIG v M1EF Cumulative T/R (all values in GBP) – 5 year



Note: CLIG LN and M1EF rebased to 100 as of starting date

CLIG share price KPI

CLIG management has adopted two Key Performance Indicators (KPIs) based on the total return of CLIG over a market cycle, which are designed to provide shareholders with an indication of the return they should expect from owning the CLIG business. The KPIs are:

- Our share price to compound annually at between 7.5% to 12.5%

  -OR-

- Our share price to double the cumulative return of the M1EF

Our goal is to achieve one of the two over rolling five-year periods. These measures are meant to stretch the management team, without incentivising managers to take undue levels of risk.

For the five years ending 31st December 2020, CLIG's cumulative total return was 82.5% (12.8% per annum). We therefore meet the first KPI, as the annualised total return outperformed the desired range. We do not meet the second KPI, as the cumulative return of M1EF was 97.2% over the past five years. Since listing in April 2006, the annualised return of a CLIG share is 13.9%.

Due to the ongoing diversification of the CLIG business away from the original Emerging Markets strategy, the management team at CLIG is reviewing the appropriateness of our second KPI. CLIG shareholders now own a business that provides exposures, primarily via closed-end funds, to a wide range of asset classes, including emerging market equities, developed market equities, US taxable and municipal fixed income securities, and REITs. An update will be provided in the 2021 Annual Report & Accounts.

Barry Olliff intended share sales

Subject to being in an open period, Barry Olliff's, Founder and Director, present intention is to sell 250,000 shares at each of 475p, 500p and 525p. In addition, the Company will no longer provide trading intentions for Mr. Olliff post 30th June 2021, which is the Company's year-end.

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

CLIG outlook

CLIG's three main stakeholders – clients, employees and shareholders – continue to drive our decisions and the strategy behind our business. 2020 was a milestone calendar year for CLIG, as we completed the merger and we look forward to the ongoing impact that George Karpus will have as a NED on the Board, due to his knowledge of the US wealth management space, as well as Executive Director Dan Lippincott, who serves as CIO of KIM.

Global markets remain volatile due to tensions between the US and China and the slow pace of vaccine roll-outs, however with the addition of the KIM team, shareholders should receive the benefits of a more diversified Group via asset class exposure and a mix of retail and institutional clients. The investment management teams at each subsidiary are skilled and experienced in investing on behalf of their respective clients through market cycles, with attractive long-term relative performance figures reflecting those abilities.

On behalf of my colleagues at CLIG, we appreciate your support, and hope that you and your families have a healthy and prosperous 2021. To my fellow CLIG colleagues, thank you for your dedication over the past six months and throughout the COVID-19 pandemic. Your flexibility, hard work, and commitment to our stakeholders has been readily apparent during these challenging times.

Tom Griffith
Chief Executive Officer
12th February 2021

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2020

	Note	Six months ended 31st Dec 2020 (unaudited) £	Six months ended 31st Dec 2019 (unaudited) £	Year ended 30th June 2020 (audited) £
Revenue				
Gross fee income	2	23,733,759	17,317,850	33,263,192
Commissions payable		(358,662)	(152,665)	(167,158)
Custody fees payable		(775,327)	(722,894)	(1,425,032)
Net fee income		22,599,770	16,442,291	31,671,002
Administrative expenses				
Employee costs		8,853,182	7,919,480	15,677,364
Other administrative expenses		2,139,428	2,027,406	3,762,170
Depreciation and amortisation		1,446,431	319,534	633,083
		(12,439,041)	(10,266,420)	(20,072,617)
Operating profit		10,160,729	6,175,871	11,598,385
Net interest receivable/(payable) and similar gains/(losses)	3	399,799	157,089	(943,689)
Profit before tax and exceptional items		10,560,528	6,332,960	10,654,696
Exceptional item				
Acquisition-related costs		(1,743,424)	–	(1,248,195)
Profit before tax		8,817,104	6,332,960	9,406,501
Income tax expense		(2,241,835)	(1,276,045)	(2,040,523)
Profit for the period		6,575,269	5,056,915	7,365,978
Profit attributable to:				
Non-controlling interests		12,330	61,970	(193,602)
Equity shareholders of the parent		6,562,939	4,994,945	7,559,580
Basic earnings per share	4	17.7p	19.9p	30.3p
Diluted earnings per share	4	17.4p	19.4p	29.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2020

	Six months ended 31st Dec 2020 (unaudited) £	Six months ended 31st Dec 2019 (unaudited) £	Year ended 30th June 2020 (audited) £
Profit for the period	6,575,269	5,056,915	7,365,978
Other comprehensive income:			
Items that may be subsequently reclassified to income statement			
Foreign currency translation difference	(175,923)	(39,963)	(48,494)
Total comprehensive income for the period	6,399,346	5,016,952	7,317,484
Attributable to:			
Equity shareholders of the parent	6,387,016	4,954,982	7,511,086
Non-controlling interests	12,330	61,970	(193,602)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31ST DECEMBER 2020

	Note	31st Dec 2020 (unaudited) £	31st Dec 2019 (unaudited) £	30th June 2020 (audited) £
Non current assets				
Property and equipment		512,846	619,941	542,918
Right-of-use assets		1,863,368	1,977,740	1,933,411
Intangible assets	5	110,260,241	114,882	47,309
Other financial assets		4,326,183	7,744,392	3,994,727
Deferred tax asset		317,371	369,173	348,008
		117,280,009	10,826,128	6,866,373
Current assets				
Trade and other receivables		7,011,563	6,338,920	6,133,878
Other financial assets		–	87,414	–
Cash and cash equivalents		17,545,110	12,509,221	14,594,333
		24,556,673	18,935,555	20,728,211
Current liabilities				
Trade and other payables		(5,910,861)	(4,998,307)	(5,644,635)
Lease liabilities		(584,404)	(315,026)	(406,179)
Current tax payable		(2,061,263)	(938,027)	(835,849)
Creditors, amounts falling due within one year		(8,556,528)	(6,251,360)	(6,886,663)
Net current assets		16,000,145	12,684,195	13,841,548
Total assets less current liabilities		133,280,154	23,510,323	20,707,921
Non current liabilities				
Lease liabilities		(1,301,128)	(1,583,762)	(1,552,219)
Deferred tax liability		(9,809,808)	(166,710)	(57,874)
Net assets		122,169,218	21,759,851	19,097,828
Capital and reserves				
Share capital	6	506,791	265,607	265,607
Share premium account		2,256,104	2,256,104	2,256,104
Merger relief reserve	6	101,538,413	–	–
Investment in own shares	7	(4,575,581)	(5,814,037)	(5,765,993)
Share option reserve		186,470	245,440	241,467
EIP share reserve		900,795	975,593	1,232,064
Foreign currency differences reserve		(130,038)	54,416	45,885
Capital redemption reserve		26,107	26,107	26,107
Retained earnings		21,277,645	20,598,471	20,626,405
Attributable to:				
Equity shareholders of the parent		121,986,706	18,607,701	18,927,646
Non-controlling interests		182,512	3,152,150	170,182
Total equity		122,169,218	21,759,851	19,097,828

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2020

	Share capital £	Share premium account £	Merger relief reserve £	Investment in own shares £	Share option reserve £	EIP share reserve £	Foreign currency differences reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	NCI £	Total £
At 1st July 2020	265,607	2,256,104	–	(5,765,993)	241,467	1,232,064	45,885	26,107	20,626,405	18,927,646	170,182	19,097,828
Profit for the period	–	–	–	–	–	–	–	–	6,562,939	6,562,939	12,330	6,575,269
Other comprehensive income	–	–	–	–	–	–	(175,923)	–	–	(175,923)	–	(175,923)
Total comprehensive income	–	–	–	–	–	–	(175,923)	–	6,562,939	6,387,016	12,330	6,399,346
Transactions with owners												
Issue of ordinary shares on merger (note 6)	241,184	–	101,538,413	–	–	–	–	–	–	101,779,597	–	101,779,597
Share issue costs (note 8)	–	–	–	–	–	–	–	–	(967,880)	(967,880)	–	(967,880)
Share option exercise	–	–	–	221,712	(34,709)	–	–	–	34,709	221,712	–	221,712
Purchase of own shares	–	–	–	(401,288)	–	–	–	–	–	(401,288)	–	(401,288)
Share-based payment	–	–	–	–	(20,288)	371,035	–	–	–	350,747	–	350,747
EIP vesting/forfeiture	–	–	–	1,369,988	–	(702,304)	–	–	–	667,684	–	667,684
Deferred tax on share options	–	–	–	–	–	–	–	–	1,777	1,777	–	1,777
Dividends paid	–	–	–	–	–	–	–	–	(4,980,305)	(4,980,305)	–	(4,980,305)
Total transactions with owners	241,184	–	101,538,413	1,190,412	(54,997)	(331,269)	–	–	(5,911,699)	96,672,044	–	96,672,044
As at 31st December 2020	506,791	2,256,104	101,538,413	(4,575,581)	186,470	900,795	(130,038)	26,107	21,277,645	121,986,706	182,512	122,169,218

	Share capital £	Share premium account £	Merger relief reserve £	Investment in own shares £	Share option reserve £	EIP share reserve £	Foreign currency differences reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	NCI £	Total £
At 1st July 2019	265,607	2,256,104	–	(5,029,063)	299,011	1,015,316	94,379	26,107	20,075,712	19,003,173	3,405,928	22,409,101
Profit for the period	–	–	–	–	–	–	–	–	4,994,945	4,994,945	61,970	5,056,915
Other comprehensive income	–	–	–	–	–	–	(39,963)	–	–	(39,963)	–	(39,963)
Total comprehensive income	–	–	–	–	–	–	(39,963)	–	4,994,945	4,954,982	61,970	5,016,952
Transactions with owners												
NCI investment/redemption	–	–	–	–	–	–	–	–	–	–	(315,748)	(315,748)
Share option exercise	–	–	–	323,676	(53,571)	–	–	–	53,571	323,676	–	323,676
Purchase of own shares	–	–	–	(2,044,150)	–	–	–	–	–	(2,044,150)	–	(2,044,150)
Share-based payment	–	–	–	–	–	421,739	–	–	–	421,739	–	421,739
EIP vesting/forfeiture	–	–	–	935,500	–	(461,462)	–	–	–	474,038	–	474,038
Deferred tax on share options	–	–	–	–	–	–	–	–	(26,634)	(26,634)	–	(26,634)
Current tax on share options	–	–	–	–	–	–	–	–	5,856	5,856	–	5,856
Dividends paid	–	–	–	–	–	–	–	–	(4,504,979)	(4,504,979)	–	(4,504,979)
Total transactions with owners	–	–	–	(784,974)	(53,571)	(39,723)	–	–	(4,472,186)	(5,350,454)	(315,748)	(5,666,202)
As at 31st December 2019	265,607	2,256,104	–	(5,814,037)	245,440	975,593	54,416	26,107	20,598,471	18,607,701	3,152,150	21,759,851

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONTINUED

	Share capital £	Share premium account £	Merger relief reserve £	Investment in own shares £	Share option reserve £	EIP share reserve £	Foreign currency differences reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	NCI £	Total £
At 1st July 2019	265,607	2,256,104	–	(5,029,063)	299,011	1,015,316	94,379	26,107	20,075,712	19,003,173	3,405,928	22,409,101
Profit for the period	–	–	–	–	–	–	–	–	7,559,580	7,559,580	(193,602)	7,365,978
Other comprehensive income	–	–	–	–	–	–	(48,494)	–	(48,494)	–	(48,494)	
Total comprehensive income	–	–	–	–	–	–	(48,494)	–	7,559,580	7,511,086	(193,602)	7,317,484
Transactions with owners												
Derecognisation of NCI investment	–	–	–	–	–	–	–	–	–	–	(2,767,519)	(2,767,519)
NCI investment/redemption	–	–	–	–	–	–	–	–	–	–	(274,625)	(274,625)
Share option exercise	–	–	–	359,431	(57,544)	–	–	–	57,544	359,431	–	359,431
Purchase of own shares	–	–	–	(2,044,150)	–	–	–	–	–	(2,044,150)	–	(2,044,150)
Share-based payment	–	–	–	–	–	695,099	–	–	–	695,099	–	695,099
EIP vesting/forfeiture	–	–	–	947,789	–	(478,351)	–	–	–	469,438	–	469,438
Deferred tax on share options	–	–	–	–	–	–	–	–	(79,409)	(79,409)	–	(79,409)
Current tax on share options	–	–	–	–	–	–	–	–	6,073	6,073	–	6,073
Dividends paid	–	–	–	–	–	–	–	–	(6,993,095)	(6,993,095)	–	(6,993,095)
Total transactions with owners	–	–	–	(736,930)	(57,544)	216,748	–	–	(7,008,887)	(7,586,613)	(3,042,144)	(10,628,757)
At 30th June 2020	265,607	2,256,104	–	(5,765,993)	241,467	1,232,064	45,885	26,107	20,626,405	18,927,646	170,182	19,097,828

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2020

	Six months ended 31st Dec 2020 (unaudited) £	Six months ended 31st Dec 2019 (unaudited) £	Year ended 30th June 2020 (audited) £
Cash flow from operating activities			
Operating profit	10,160,729	6,175,871	11,598,385
Adjustments for:			
Depreciation of property and equipment	95,595	268,611	205,144
Depreciation of right-of-use assets	242,037	–	341,247
Amortisation of intangible assets	1,108,799	50,923	86,691
Share-based payment credit	(20,288)	–	–
EIP charge	548,098	421,740	685,606
Translation adjustments	(35,629)	56,873	(86,860)
Cash generated from operations before changes in working capital	12,099,341	6,974,018	12,830,213
Increase in trade and other receivables	(235,649)	(442,543)	(71,359)
Increase/(decrease) in trade and other payables	140,932	(114,393)	139,889
Cash generated from operations	12,004,624	6,417,082	12,898,743
Interest received	12,823	41,080	74,033
Interest paid on leased assets	(67,302)	–	(116,958)
Interest paid	–	(52,550)	(13,221)
Taxation paid	(1,646,534)	(1,017,160)	(2,035,690)
Net cash generated from operating activities	10,303,611	5,388,452	10,806,907
Cash flow from investing activities			
Purchase of property and equipment	(55,314)	(62,973)	(78,551)
Purchase of non-current financial assets	–	–	(1,218)
Proceeds from sale of current financial assets	–	–	124,209
Acquisition-related costs	(1,743,424)	–	(1,248,195)
Share issue costs	(967,880)	–	–
Cash consideration paid upon merger	(107,943)	–	–
Cash acquired upon merger	1,054,716	–	–
Net cash used in investing activities	(1,819,845)	(62,973)	(1,203,755)
Cash flow from financing activities			
Ordinary dividends paid	(4,980,305)	(4,504,979)	(6,993,095)
Purchase of own shares by employee benefit trust	(401,288)	(2,044,150)	(2,044,150)
Proceeds from sale of own shares by employee benefit trust	221,712	323,676	359,431
Payment of lease liabilities	(247,139)	(166,648)	(303,243)
Capital (to)/from non-controlling interest	–	(315,748)	–
Net cash used in financing activities	(5,407,020)	(6,707,849)	(8,981,057)
Net increase/(decrease) in cash and cash equivalents	3,076,746	(1,382,370)	622,095
Cash and cash equivalents at start of period	14,594,333	13,813,089	13,813,089
Cash held in funds*	12,588	88,349	53,819
Effect of exchange rate changes	(138,557)	(9,847)	105,330
Cash and cash equivalents at end of period	17,545,110	12,509,221	14,594,333

*Cash held in International REIT fund consolidated on a net asset basis.

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 2020 has been extracted from the latest published audited accounts and delivered to the Registrar of Companies. 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The accounting policies are consistent with those set out and applied in the statutory accounts of the Group for the year ended 30th June 2020, 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 2020.

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, having considered the potential impact of COVID-19 on the Group's operations.

New or amended accounting standards and interpretations adopted

The Group has adopted all relevant new or amended accounting standards and interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period. Any new or amended accounting standards that are not mandatory have not been early adopted.

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 2020						
Gross fee income	22,387,190	699,921	163,838	482,810	–	23,733,759
Non-current assets:						
Property and equipment	184,989	–	296,693	–	31,164	512,846
Right-of-use assets	394,820	–	1,352,725	–	115,823	1,863,368
Intangible assets	110,248,634	–	11,607	–	–	110,260,241
Six months to 31st Dec 2019						
Gross fee income	16,064,433	603,950	192,163	457,304	–	17,317,850
Non-current assets:						
Property and equipment	226,702	–	359,922	–	33,317	619,941
Right-of-use assets	359,717	–	1,531,107	–	86,916	1,977,740
Intangible assets	88,985	–	25,897	–	–	114,882
Year to 30th June 2020						
Gross fee income	30,893,843	1,166,649	330,992	871,708	–	33,263,192
Non-current assets:						
Property and equipment	201,831	–	317,522	–	23,565	542,918
Right-of-use assets	323,813	–	1,441,916	–	167,682	1,933,411
Intangible assets	28,557	–	18,752	–	–	47,309

The Group has classified gross fee income based on the domicile of its clients and non-current assets based on where the assets are held.

Included in gross fee income are fees of £2,488,298 (30th June 2020 – £4,392,106; 31st December 2019 – £2,214,410) which arose from fee income from the Group's largest customer. No other single customer contributed 10 per cent or more to the Group's revenue in either of the reporting periods.

3 NET INTEREST RECEIVABLE/(PAYABLE) AND SIMILAR GAINS/(LOSSES)

	Six months ended 31st Dec 2020 (unaudited) £	Six months ended 31st Dec 2019 (unaudited) £	Year ended 30th June 2020 (audited) £
Interest on bank deposit	12,823	41,080	74,033
Unrealised gain/(loss) on investments	454,278	197,026	(886,256)
Unrealised loss on hedging investments	–	(28,467)	(1,287)
Interest payable on restated US tax returns	–	–	(13,221)
Interest payable	–	(952)	–
Interest on lease liabilities	(67,302)	(51,598)	(116,958)
	399,799	157,089	(943,689)

4 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period attributable to the equity shareholders of the parent divided by the weighted average number of ordinary shares in issue for the six months ended 31st December 2020.

As set out in note 7 the Employee Benefit Trust held 1,357,158 ordinary shares in the Company as at 31st December 2020. The Trustees of the Trust have waived all rights to dividends associated with these shares. In accordance with IAS 33 "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 attributable to the equity shareholders of the parent divided by the diluted weighted average number of ordinary shares in issue for the six months ended 31st December 2020.

4 EARNINGS PER SHARE CONTINUED

Reported earnings per share

	Six months ended 31st Dec 2020 (unaudited) £	Six months ended 31st Dec 2019 (unaudited) £	Year ended 30th June 2020 (audited) £
Profit attributable to the equity shareholders of the parent for basic earnings	6,562,939	4,994,945	7,559,580
	Number of shares	Number of shares	Number of shares
Issued ordinary shares as at 1st July	26,560,707	26,560,707	26,560,707
Effect of own shares held by EBT	(1,537,864)	(1,516,552)	(1,595,866)
Effect of shares issued in the period	12,059,194	–	–
Weighted average shares in issue	37,082,037	25,044,155	24,964,841
Effect of movements in share options and EIP awards	615,017	668,253	658,251
Diluted weighted average shares in issue	37,697,054	25,712,408	25,623,092
Basic earnings per share (pence)	17.7	19.9	30.3
Diluted earnings per share (pence)	17.4	19.4	29.5

Underlying earnings per share*

Underlying earnings per share is based on the underlying profit after tax*, where profit after tax is adjusted for gain/loss on investments, acquisition-related costs, amortisation of acquired intangibles, their relating tax impact and non-controlling interest.

Underlying profit for calculating underlying earnings per share

	Six months ended 31st Dec 2020 (unaudited) £	Six months ended 31st Dec 2019 (unaudited) £	Year ended 30th June 2020 (audited) £
Profit before tax	8,817,104	6,332,960	9,406,501
Add back:			
– (Gain)/loss on Investments	(454,278)	(168,559)	887,543
– Acquisition-related costs	1,743,424	–	1,248,195
– Amortisation on acquired intangibles	1,083,395	–	–
Underlying profit before tax	11,189,645	6,164,401	11,542,239
Tax expense as per the consolidated income statement	(2,241,835)	(1,276,045)	(2,040,523)
Tax effect on adjustments	(117,190)	43,801	(205,418)
Adjustment for NCI	(12,330)	(61,970)	193,602
Underlying profit after tax for the calculation of underlying earnings per share	8,818,290	4,870,187	9,489,900
Underlying earnings per share (pence)	23.8	19.4	38.0
Underlying diluted earnings per share (pence)	23.4	18.9	37.0

** This is an Alternative Performance Measure (APM). Please refer page 9 for more details on APMs.*

5 INTANGIBLE ASSETS

	Goodwill £	Direct customer relationships £	Distribution channels £	Trade name £	Long term Software £	Total £
Cost						
At 1st July 2020	–	–	–	–	761,971	761,971
Currency translation	–	–	–	–	(65,428)	(65,428)
Additions	69,715,195	35,644,000	4,877,000	1,087,000	–	111,323,195
At close of period	69,715,195	35,644,000	4,877,000	1,087,000	696,543	112,019,738
Amortisation charge						
At 1st July 2020	–	–	–	–	714,662	714,662
Currency translation	–	–	–	–	(63,964)	(63,964)
Charge for the period	–	891,100	174,179	18,117	25,403	1,108,799
At close of period	–	891,100	174,179	18,117	676,101	1,759,497
Net book value:						
At 31st December 2020	69,715,195	34,752,900	4,702,821	1,068,883	20,442	110,260,241
At 31st December 2019	–	–	–	–	114,882	114,882
At 30th June 2020	–	–	–	–	47,309	47,309

Goodwill, direct client relationships, distribution channels and trade name acquired through business combination relates to the merger with KIM on 1st October 2020 (see note 8).

The fair values of KIM's direct customer relationships and the distribution channels have been measured using a multi-period excess earnings method. The model uses estimates of annual attrition driving revenue from existing customers to derive a forecast series of cash flows, which are discounted to a present value to determine the fair values of KIM's direct customer relationships and the distribution channels (see note 8).

The fair value of KIM's trade name has been measured using a relief from royalty method. The model uses estimates of royalty rate and percentage of revenue attributable to trade name to derive a forecast series of cash flows, which are discounted to a present value to determine the fair value of KIM's trade name (see note 8).

The total amortisation charged to the income statement for the three-month period from the date of the merger in relation to direct client relationships, distribution channels and trade name, was £1,083,395 (30th June 2020 – n/a, 31st December 2019 – n/a).

Impairment

Goodwill acquired through business combination of £69,715,195 relates to the acquired workforce and future expected growth (see note 8).

The Group will review the carrying amount of its cash generating unit (CGU) to which goodwill is allocated annually at each financial year-end (30th June). As at 31st December 2020, there were no factors we considered that indicated an impairment of the goodwill during the period.

6 SHARE CAPITAL AND MERGER RELIEF RESERVE

Group and Company	Share capital £	Merger relief reserve £
Allotted, called up and fully paid		
At start of period 26,560,707 Ordinary shares of 1p each	265,607	–
Issue of 24,118,388 Ordinary shares upon merger with KIM	241,184	101,538,413
At end of period 50,679,095 Ordinary shares of 1p each	506,791	101,538,413

Merger relief reserve – has been created as the issue of ordinary shares by the Company upon the merger with KIM meets the requirements of merger relief under Companies Act 2006 (see note 8).

7 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 2020 the Trust held 679,038 ordinary 1p shares (30th June 2020 – 986,234; 31st December 2019 – 989,449), of which 420,750 ordinary 1p shares (30th June 2020 – 521,875; 31st December 2019 – 534,375) were subject to options in issue.

The Trust also held in custody 678,120 ordinary 1p shares (30th June 2020 – 677,821; 31st December 2019 – 690,094) for employees in relation to restricted share awards granted under the Group's Employee Incentive Plan (EIP).

The Trust has waived its entitlement to receive dividends in respect of the total shares held (31st December 2020 – 1,357,138; 30th June 2020 – 1,664,055; 31st December 2019 – 1,679,543).

8 BUSINESS COMBINATIONS

On 1st October 2020 City of London Investment Group PLC completed the merger of Snowball Merger Sub, Inc. with and into Karpus Management Inc. dba Karpus Investment Management (KIM), a US based investment management business, on a debt free basis, by way of a scheme of arrangement in accordance with the New York Business Corporation Law, with KIM being the surviving entity in the Merger. CLIG acquired 100% of voting equity interest in KIM and the merger was satisfied by issue of new ordinary shares and cash for a total consideration of £101,887,540. KIM uses closed-end funds (CEFs) amongst other securities as a means to gain exposure for its client base comprising of US high net worth clients and corporate accounts. It qualifies as a business as defined in IFRS 3 "Business Combinations". The merger is considered to be of substantial strategic and financial benefit to the Group and its shareholders.

8 BUSINESS COMBINATIONS CONTINUED

Details of the net assets acquired, goodwill and purchase consideration are as follows:

	£
Cash and cash equivalents	1,054,716
Right-of-use assets	156,405
Property and equipment	31,621
Intangibles: direct customer relationships (note 5)	35,644,000
Intangibles: distribution channels (note 5)	4,877,000
Intangibles: trade name (note 5)	1,087,000
Trade and other receivables	379,977
Trade and other payables	(677,879)
Net corporation tax liability	(379,580)
Deferred tax liability	(10,000,915)
Total identifiable assets acquired and liabilities assumed	32,172,345
Goodwill (note 5)	69,715,195
Net assets acquired	101,887,540
Satisfied by:	
Cash	107,943
Issue of 24,118,388 new ordinary shares	101,779,597
Total consideration transferred	101,887,540
Net cash inflow arising on merger	
Cash consideration paid	(107,943)
Less: cash and cash equivalent balance acquired	1,054,716
	946,773

The 30th September 2020 closing exchange rate of 1.292 was used to translate the US dollar acquired assets to our reporting currency.

The intangible assets recognised on completion of the merger of £41,608,000 relates to direct customer relationships, distribution channels and KIM's trade name (note 5).

The goodwill of £69,715,195 arises as a result of acquired workforce and expected future growth. Any impairment of goodwill in future periods is not expected to be deductible for income tax purposes.

The fair value of the 24,118,388 new ordinary shares issued as part of the consideration paid for KIM was based on the 30th September 2020 closing market price per share of £4.22. An amount of £101,538,413 was recognised as a merger relief reserve in relation to this new issue of shares. Share issue costs amounting to £967,880 were deducted from retained earnings.

Acquisition-related costs of £1,743,424 (year ending 2020 – £1,248,195) were charged to the income statement and shown under exceptional items.

8 BUSINESS COMBINATIONS CONTINUED

The gross contractual amount of trade and other receivables acquired is equal to their fair value of £379,977 and was considered to be fully recoverable at the date of the merger. The fair value of all other net assets acquired were equal to their carrying value.

During the three months to 31st December 2020, KIM contributed £5,137,233 of net fee income and £2,637,815 to the Group's consolidated profit for the six months to 31st December 2020.

If the merger was completed at the beginning of the current financial year, KIM would have contributed £10,288,727 to the Group's net income and £3,563,480 to the Group's profit for the current reporting period.

9 DIVIDENDS

A final dividend of 20p per share in respect of the year ended 30th June 2020 was paid on 30th October 2020.

An interim dividend of 11p per share (2019 – 10p) in respect of the year ended 30th June 2021 will be paid on 19th March 2021 to members registered at the close of business on 5th March 2021.

10 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.

The principal risks to which the Group will be exposed to in the second half of the financial year are substantially the same as those described in the last annual report (see pages 31 to 33), being the impact of the COVID-19 pandemic, the potential for loss of FuM as a result of poor investment performance, client redemptions, breach of mandate guidelines or market volatility, loss of key personnel, cybersecurity and 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.

11 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.

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

- Investments for hedging purposes are valued using the quoted bid price and shown under level 1.
- 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.
- Unlisted equity securities are valued using the net assets of the underlying companies and are shown under level 3.

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.

31st December 2020	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other non-current financial assets	2,424,277	1,901,906	–	4,326,183
Forward currency trades	–	261,379	–	261,379
Total	2,424,277	2,163,285	–	4,587,562

There are no financial liabilities at fair value at 31st December 2020.

11 FINANCIAL INSTRUMENTS CONTINUED

31st December 2019	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other financial assets	87,414	–	–	87,414
Investment in other non-current financial assets	7,696,378	47,558	456	7,744,392
Forward currency trades	–	163,365	–	163,365
Total	7,783,792	210,923	456	7,995,171

There are no financial liabilities at fair value at 31st December 2019.

30th June 2020	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other non-current financial assets	2,212,986	1,781,741	–	3,994,727
Total	2,212,986	1,781,741	–	3,994,727
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	18,063	–	18,063
Total	–	18,063	–	18,063

Level 3

Level 3 assets as of 31st December 2020 were nil (30th June 2020: nil; 31st December 2019: £456).

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 loss reported for the period is £3,416 (30th June 2020: net profit £29,935; 31st December 2019: net profit £126,526).

12 GENERAL

The interim financial statements for the six months to 31st December 2020 were approved by the Board on 12th February 2021. These financial statements are unaudited, but they have been reviewed by the auditors, having regard to 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.

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 interim 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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

Tom Griffith
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 2020 which comprises the 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.

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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" adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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.

RSM UK Audit LLP
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25 Farringdon Street
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12th February 2021

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