HALF YEAR REPORT

2021/2022

CITY OF LONDON
Investment Group PLC

CITY OF LONDON
Investment Group PLC

CITY OF LONDON
Investment Management Company Limited

KARPUS
INVESTMENT
MANAGEMENT

Our Purpose

The Group exists for the mutual benefit of our three primary stakeholders: Clients, Employees and Shareholders

Corporate statement

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 investments, via City of London Investment Management Company Limited (CLIM), 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.

HALF YEAR SUMMARY

Funds under Management (FuM) of US$11.1 billion (£8.2 billion) at 31st December 2021. This compares with US$11.4 billion (£8.3 billion) at the beginning of this financial year on 1st July 2021 and US$10.9 billion (£8.0 billion) at 31st December 2020.

FuM at 31st January 2022 of US$10.8 billion (£8.0 billion)

Net fee income representing the Group's management fees on FuM was £29.8 million (31st December 2020: £22.6 million)

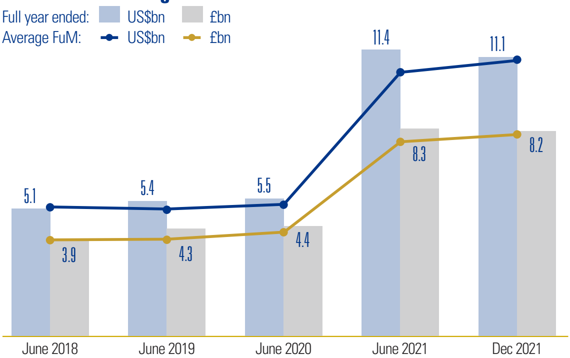
Underlying profit before tax* was £15.5 million (31st December 2020: £11.2 million). Profit before tax was £13.6 million (31st December 2020: £8.8 million)

Maintained interim dividend of 11p per share (31st December 2020: 11p) payable on 25th March 2022 to shareholders on the register on 25th February 2022

Special dividend of 13.5p per share (31st December 2020: nil) payable on 25th March 2022 to shareholders on the register on 25th February 2022

*This is an Alternative Performance Measure (APM). Please refer to page 10 for more details on APMs.

Funds under Management



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HALF YEAR SUMMARY
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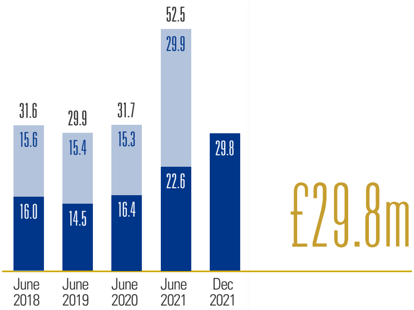
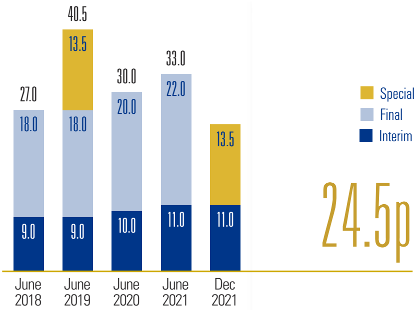
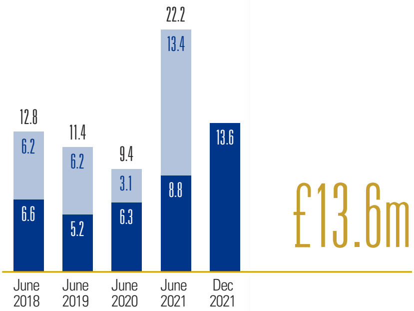
Net fee income £m



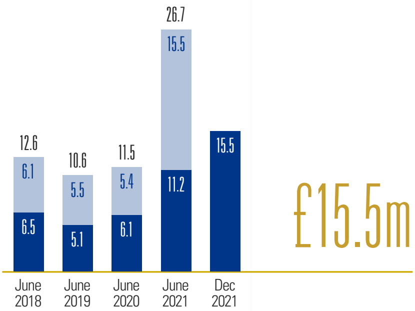
Dividends paid and proposed per share pence



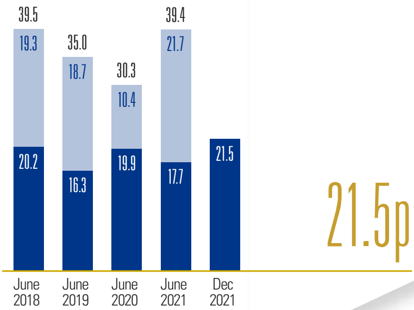
Profit before tax £m



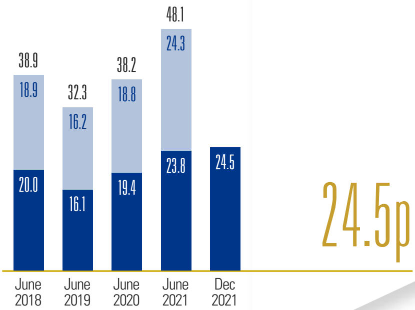
Underlying profit before tax* £m



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 10 for more details on APMs.*

CHAIR'S STATEMENT

"It is now 15 months since the merger with KIM and we believe that the results during this period demonstrate the benefits of a more diversified revenue base in terms of both clients and market segments."

Barry Aling Chair

The familiar refrain that "it ain't over, till it's over" has often been used in connection with sporting contests but the events of recent months show that it has at least equal validity to global pandemics. Just as the world was recovering some level of normality in the autumn of 2021, courtesy of a global vaccination campaign that now totals 10.4 billion doses, the Omicron variant brought that progress to an abrupt but temporary halt in the closing weeks of the year. The good news for investors is that markets have become less "COVID-sensitive" with each wave recognising perhaps that, over time, vaccine-led herd immunity will outweigh any risk of a return to the extreme social disruption of the last two years.

While the ripple effects of the pandemic will continue to reverberate for some time, particularly in relation to supply chain bottlenecks, equity markets are increasingly directing their focus back to the more traditional issues of growth, inflation, monetary policy and geopolitics, each of which present potential challenges in 2022. Meanwhile, as CEO Tom Griffith explains in his report, both CLIG operating subsidiaries have continued to navigate the challenges posed by on/off remote working requirements with full functionality and, on behalf of your Board, I would like to extend our sincere thanks once again to our hard-working employees across all the offices.

Assets and performance

Funds under Management (FuM) fell by 2.6% in the six months ended 31st December 2021 to US$11.1 billion due to mixed conditions across the Group's products but were still 2% ahead of the comparable figure at the end of 2020. Although the more defensive, value-driven characteristics of closed-end funds (CEFs) provided positive attribution for the Emerging Markets (EM) strategy in the half year, the 23% fall in Chinese equities, which accounts for around one-third of the index, proved a major drag on both the benchmark and FuM, with an 11% fall over the period to US$4.8 billion. Despite lacklustre markets in the International strategy, this product has continued to attract impressive inflows. The strategy FuM stands at US$2.1 billion, a 14.2% increase in FuM as compared to 30th June 2021 and a 26.3% increase in FuM as compared to 31st December 2020. While the aggregate FuM numbers at CLIM were little changed over the half-year period at US$7.2 billion, each of the major strategies recorded robust outperformance against their respective benchmarks. Looking forward, the combination of this strong relative performance and an ability to re-commence face-to-face meetings with clients and consultants are anticipated to translate into further inflows in the coming months.

KIM's FuM grew by c.1% to US$3.9 billion as compared to 30th June 2021 despite the normal seasonal withdrawals that arise in the final weeks of the calendar year. In comparison with 31st December 2020, however, FuM was 7% higher, thanks mainly to very strong relative performance, particularly in the dominant fixed income space. The issuance of approximately 250 Special Purpose Acquisition Companies (SPACs), represents an addition of US$54 billion to KIM's investable universe. SPACs can offer a fixed income return profile with lower risk, and potential for upside. Pre-merger SPAC investments were an important contributor to returns for KIM in the first half of the financial year. With c.60% of KIM's assets invested in fixed income securities, it is very encouraging to note that they have been able to show strong performance through a period of rising inflation and interest rate expectations and this bodes well for both client retention and new business potential in the coming year.

Results

For CLIG, the six months ended December 2021 showed solid progress and it was pleasing to see the positive impact of the merger with KIM in terms of both profits and earnings per share (EPS). Profit before tax for the six months to 31st December 2021 was £13.6 million (31st December 2020: £8.8 million). Following previous practice, I will comment on our results by reference to an Alternative Performance Measure (APM)* of "Underlying" profits and EPS, which exclude exceptional or non-recurring items, as we believe that these provide shareholders with a more accurate measure of the Group's financial performance.

Underlying profit before tax of £15.5 million was 38.4% up on the equivalent period of 2020, but this figure translates to a 7.8% gain when adjusted for the limited three-month contribution from KIM in the previous period. KIM's underlying profit before tax of £6.9 million was marginally ahead of the previous period on a comparable basis, having absorbed increased costs associated with upgrades to KIM's operating infrastructure. The 11% increase in CLIM's contribution to £8.6 million owes much to the buoyancy of global equity markets in the early months of 2021, which partially reversed in the EM space in the second half of calendar year 2021. The combination of a 10% fall in the MXEF EM index coupled with a 3% rise in the average rate for sterling (vs. US$) in the six months to 31st December 2021 pared growth somewhat but, pleasingly, the blended net fee margin across both operating subsidiaries remained steady at an average rate of 74 bps. Diluted EPS for the first half of the financial year was 21.2p per share on a statutory basis, while underlying EPS rose 3% to 24.1p (2020: 23.4p) on a fully diluted basis.

Dividends

Inflationary pressures and a near-term tapering of quantitative easing signal a clear tightening bias from Central Banks and, mindful that economic activity remains "COVID-constrained" in many countries, the outlook for global equities is far from assured in 2022. Against this uncertain background, your Board has declared an unchanged interim dividend of 11p per share, a level which leaves a small degree of "headroom" within the stated dividend cover policy of 1.2/1 over a rolling five-year period.
At the same time, the Board is conscious that any accumulation of capital over and above that which is needed for capital investment, regulatory requirements and a prudential cash buffer should be returned to shareholders. Accordingly, the Board has also declared a special dividend of 13.5p per share, making this the second such special distribution in the last three years. Both dividends will be paid on 25th March 2022 to those shareholders registered at the close of business on 25th February 2022.

The Board

There were no changes to the Board's membership during the half-year period. However, as acknowledged in our 2021 Annual Report & Accounts, compliance with the UK Corporate

** This is an Alternative Performance Measure (APM). Please refer page 10 for more details on APMs.*

Governance Code in respect of independence, together with upcoming rules concerning diversity and inclusion, will necessitate significant changes to the Board's composition going forward. Following a thorough review of these issues, later this year we will present shareholders with a road map towards compliance, recognising the need to reconcile an appropriate level of continuity with adherence to our governance obligations as a UK-listed entity.

ESG

The proposed changes to the Board composition, referred to above, form only part of CLIG's commitment to address ESG challenges both within the business and in the wider communities in which we operate. While many of the criteria being codified to measure ESG performance have been a natural part of our culture over many years, it is important for us to record our "ESG modus operandi" in a more formal way in order to apprise shareholders of our ongoing commitment to good governance. To that end, our website has been updated with an Anti-Slavery statement and regular engagement meetings between employees and independent Directors have been established on a rotational basis. Increased emphasis on employee training and initiatives to prioritise diversity and inclusion through each layer of the business also form part of this process. CLIG is firmly committed to the goal of high attainment in the ESG sphere.

Outlook

As mentioned earlier, global markets will be confronted this year with progressive reductions in monetary stimulus as pandemic support measures are gradually withdrawn and this is likely to create headwinds for both equity and debt markets. Indeed, benchmarks such as the tech-heavy NASDAQ, which rose by c.130% in the 20 months to November 2021, have appeared more vulnerable to a correction recently with an 9% fall over the last two months. While international equity markets may be less vulnerable to these tech valuation bubbles, the tapering of monetary support, ongoing supply disruptions and geopolitical tensions each have the capacity to destabilise markets in the months ahead and point to the need for a cautious stance. Within the EM space, China will continue to exert a strong influence and the recent tightening of the regulatory environment, coupled with large-scale mobility restrictions arising from China's zero-tolerance COVID policy will constrain both the pace and timing of an economic recovery.

It is now 15 months since the merger with KIM and we believe that the results during this period demonstrate the benefits of a more diversified revenue base in terms of both clients and market segments. Thus, despite the clear challenges ahead, we remain optimistic that the value-driven characteristics of CEFs, supported by a macro-economic research focus, will continue to offer enhanced relative performance for our clients and shareholders over the longer term.

Barry Aling
Chair
17th February 2022

CHIEF EXECUTIVE OFFICER'S REVIEW

"Our continued strong cash position, while allowing for the payment of a special dividend, maintains a margin of safety for the Group in the face of any sustained downturn in markets and FuM."

Tom Griffith Chief Executive Officer

Diversification

Diversification has been a long-standing theme in our reports over many years in recognition of the need to expand our product offerings, opportunities for employees and our revenue stream. Whilst our unique focus on closed-end funds (CEFs) has enabled us to deliver relative outperformance against a relevant benchmark to our clients over multiple investment cycles, capacity limitations in the CEF universe of available securities have constrained growth.

Our approach to this constraint for CLIM has been to apply our team's expertise in CEFs to additional market segments. Sustained CLIM diversification has reached a major milestone over the period with CLIM's International Equity strategy (INTL) surpassing US$2 billion in Funds under Management (FuM) representing 30% of CLIM FuM as of 31st December 2021. As many of our shareholders will recognise, this "overnight success" has taken over a decade to achieve and was only possible as a result of the relentless efforts of the INTL team. Reaching this milestone is a reflection of the hard work by many of our colleagues along with the patience of shareholders.

Further, and as a result of top quartile relative performance of the INTL strategy, clients and consultants have shown interest in a Global product, to offer exposure to US and non-US equities. In December 2021, a new product managed by the INTL team was seeded with US$2.5 million, which we expect will attract client assets over the next two years.

We refer to the second part of our diversification efforts as CLIG diversification. As indicated in our most recent annual report, the evolution of your company featured the merger with Karpus Investment Management (KIM) in the prior financial year which progressed our diversification efforts.

We have expanded our reporting in the below table from previous reporting periods to include both the percentage of FuM for CLIM & KIM strategies along with the percentage of FuM for CLIG. This further breakdown of reporting provides shareholders with an additional data point to follow our diversification efforts, inclusive of the relative growth of the CLIM INTL strategy mentioned previously, over the past five years.

FuM flows

Although CLIM's net client flows remain negative for the financial year to date to 31st December 2021 at (US$58.7 million) we have seen this recent trend over the past several quarters begin to reverse. Quarterly inflows increased to US$311 million in the second quarter of the financial year relative to US$123.8 million in the first quarter of the financial year, while outflows reduced to (US$198.5 million) from (US$295 million) respectively.

CLIG – FuM by line of business (US$m)

CLIM	30 June 2018 US$m	30 June 2018 % of CLIM total*	30 June 2019 US$m	30 June 2019 % of CLIM total*	30 June 2020 US$m	30 June 2020 % of CLIM total*	30 June 2021 US$m	30 June 2021 % of CLIM total	30 June 2021 % of CLIG total	31 Dec 2021 US$m	31 Dec 2021 % of CLIM total	31 Dec 2021 % of CLIG total
Emerging Markets	4,207	83%	4,221	78%	3,828	69%	5,393	72%	47%	4,800	67%	43%
International	480	9%	729	14%	1,244	23%	1,880	25%	17%	2,147	30%	19%
Opportunistic Value	174	3%	233	4%	256	5%	231	3%	2%	232	3%	2%
Frontier	245	5%	206	4%	175	3%	13	0%	0%	10	0%	0%
Other/REIT	1	0%	7	0%	9	0%	13	0%	0%	12	0%	0%
CLIM total	5,107	100%	5,396	100%	5,512	100%	7,530	100%	66%	7,201	100%	64%

KIM	30 June 2018 US$m	30 June 2018 % of KIM total*	30 June 2019 US$m	30 June 2019 % of KIM total*	30 June 2020 US$m	30 June 2020 % of KIM total*	30 June 2021 US$m	30 June 2021 % of KIM total	30 June 2021 % of CLIG total	31 Dec 2021 US$m	31 Dec 2021 % of KIM total	31 Dec 2021 % of CLIG total
Retail	2,098	67%	2,291	67%	2,401	69%	2,804	72%	24%	2,830	72%	26%
Institutional	1,019	33%	1,105	33%	1,087	31%	1,115	28%	10%	1,119	28%	10%
KIM total	3,117	100%	3,396	100%	3,488	100%	3,919	100%	34%	3,949	100%	36%
CLIG total							**11,449**		**100%**	**11,150**		**100%**

* Denotes pre-merger percentages.

Net investment flows (US$000's)

CLIM	FYE June 2018	FYE June 2019	FYE June 2020	FYE June 2021	FY 2022, as of Dec 2021
Emerging Markets	(215,083)	(183,521)	(279,459)	(275,493)	(279,104)
International	279,394	252,883	551,102	(14,145)	231,705
Opportunistic Value	54,251	48,236	45,914	(102,663)	(6,700)
Frontier	67,000	(21,336)	16,178	(168,843)	(4,575)
REIT	–	6,000	4,600	–	–
CLIM total	185,562	102,262	338,335	(561,144)	(58,674)

KIM	FYE June 2018	FYE June 2019	FYE June 2020	FYE June 2021*	FY 2022, as of Dec 2021
Retail	46,550	33,701	26,323	(104,222)	(34,452)
Institutional	(107,410)	9,050	(67,087)	(130,911)	(19,033)
KIM total	(60,860)	42,751	(40,764)	(235,133)	(53,485)

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

The above shift resulted from increased CLIM marketing efforts in calendar year 2021 that began to turn the tide of flows positive in the second quarter of this financial year with US$112.5 million of net inflows. Re-opening our INTL strategy to new investors contributed significantly to net inflows after being closed to new investors for the year to December 2020 following a period of strong growth. Currently, we are projecting this positive trend of net inflows to continue through the remainder of the financial year.

A handful of CLIM clients in the past six months transferred their account balance from the Emerging Market (EM) strategy to the INTL strategy, illustrating another positive effect of CLIM diversification. Whilst the EM equity asset class may be out of favour, client assets remained at CLIM. Year-end tax planning led to outflows from the KIM strategies.

Both CLIM and KIM remain constrained by clients and prospects limiting their access via in-person marketing; we believe in-person marketing and client discussions are a strength of both operating subsidiaries, as investment management remains a relationship-driven business. With this said, we are prepared moving forward with the ability to provide in-person or virtual meetings with clients, consultants and prospective clients depending on their preference.

Relative investment performance at both CLIM and KIM was strong during the six months ending 31st December 2021 and for calendar year 2021. All strategies with impactful FuM at both CLIM and KIM outperformed their respective benchmarks in calendar year 2021. These strong returns should buoy marketing efforts in 2022. On the downside, the underperformance of EM equities over the past six months compared to other asset classes did weigh on the ability for CLIM's FuM to grow during what otherwise was a strong equity rally, in particular in US equities.

Business integration

While the investment personnel at each subsidiary remain separate and distinct, there is ongoing integration of non-investment management resources to allow for both subsidiaries to benefit from the experience and expertise of colleagues. Both CLIM and KIM have strong brands and reputations in the United States, and operational teams who support the investment personnel are being leveraged to work together.

Information Technology (IT) infrastructure integration is ongoing, linking the two networks together and allowing for failover and other synergies to exist. We expect this infrastructure integration to be complete by financial year end at the latest. Additionally, when acting on behalf of the larger, combined entity, there are economies of scale available with IT vendors and contracts for services required by both operating subsidiaries.

CLIM Dubai office

CLIM's Dubai office opened in 2007 to allow CLIM to research investment opportunities in the region as well as to increase the Group's visibility in the area. As a number of frontier (pre-emerging) markets were in the region, the office was staffed by two employees to conduct research on the underlying portfolio investments and was critical to the initial development and marketing of the CLIM Frontier strategy. At that time, the weight of the Middle Eastern markets was approximately 12% and 70% of the EM and Frontier equity indices respectively, but are now in the single digits. As a result of the shift in markets that make up the frontier indices from the Middle East and Africa to Asia, we are letting the Dubai office lease expire in March 2022. One employee from the Dubai office has already transferred to CLIM's office in Pennsylvania, while the remaining employee will end his tenure with CLIM in March after taking the necessary steps with regulators, local authorities and vendors to close the office.

Financial results

Group FuM as at 31st December 2021 was US$11.1 billion (£8.2 billion). Net fee income currently accrues at a weighted average rate of approximately 74 basis points of FuM. The Group's net fee income for the six months ended 31st December 2021 was £29.8 million, with £10.9 million coming from KIM (31st December 2020: £22.6 million, with £5.1 million coming from KIM for the three months ended 31st December 2020).

Profit before tax for the six months ended 31st December 2021 increased to £13.6 million (31st December 2020: £8.8 million). EPS increased by 21% to 21.5p per share for the six months ended 31st December 2021 from 17.7p per share for the six months ended 31st December 2020.

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

FuM US$bn:	9.3	10.2	11.1	11.7	12.2
US$/£			Post-tax, £m		
1.26	16.6	19.5	22.5	24.4	26.2
1.31	15.7	18.5	21.4	23.2	24.9
1.36	14.9	17.6	20.3	22.1	23.8
1.41	14.1	16.7	19.4	21.0	22.7
1.46	13.4	15.9	18.5	20.1	21.7

Assumptions:	CLIM	KIM
1. Average net fee	72bps	76bps
2. Annual operating costs	£6.7m plus US$8.5m plus S$0.6m (£1 = S$1.82)	US$8.3m
3. Average tax	21%	24%
4. Amortisation of Intangible £3m per annum		

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.

Currency exposure

The Group's revenue is almost entirely US dollar based whilst its costs are incurred in US dollars, sterling, and to a lesser degree Singapore dollars and UAE dirhams (which will no longer be applicable after 31st March 2022). The following table aims to illustrate the effect of a change in the US dollar/sterling exchange rate on the Group's post-tax profits at various FuM levels, based on the assumptions given, which are a close approximation of the Group's current operating parameters. It is evident that a stronger US dollar increases sterling post-tax profits, whilst a weaker US dollar causes the opposite. During the six months ended 31st December 2021, the average FX rate was 1.3612, with a closing FX rate of 1.3532 as compared to the average FX rate of 1.3219 for the six months ended 31st December 2020 and a closing FX rate of 1.367 as 31st December 2020.

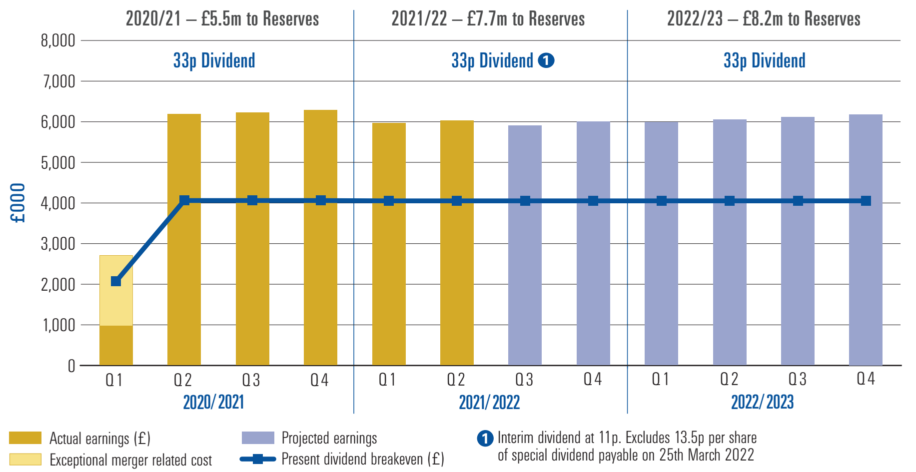
Cash and dividends

The CLIG Board reviews its cash position and overall distribution policy on a regular basis and believes that our policy of a rolling five year dividend cover of 1.2x remains appropriate. Our cash position has grown to £24.5 million at calendar year end in addition to the seed investments of £6.1 million (including £4.0 million in REITs and £1.9 million in the Global product funded in December 2021). After considering the alternatives for returning a portion of this cash to shareholders, the Board has announced an interim dividend of 11p per share in line with last year amounting to c.£5.4 million and a 13.5p special dividend amounting to c.£6.6 million.

The first special dividend was paid to shareholders in March 2019, which was 13 years from our original listing date. This second special dividend comes a relatively short three years later due to strong cash generation and was made possible by the support and patience of our shareholders through the recent merger and other diversification efforts. After both the interim and special dividends, and inclusive of seed investments, the Group meets regulatory and statutory requirements with significant operating capital. The option of increasing the final dividend at year-end, dependent upon market conditions, remains open.

Dividend cover chart

We have provided an illustrative framework which we update twice a year to enable shareholders and other interested parties to calculate our post-tax profits based upon some key assumptions. The dividend cover chart here shows the quarterly estimated cost of a maintained dividend against actual post-tax profits for last year, the current six months ended 31st December 2021 and the assumed post-tax profit for the six months ended 30th June 2022 and the next financial year based upon assumptions included in the chart.



Key assumptions:
- Number of CLIG Shares in issue (50.7m) less those held by the Employee Benefit Trust (1.7m) as at 31st Dec 2021
- Excludes unrealised loss/gains on seed investments
- Excludes amortisation of any intangibles arising on the merger

	CLIM	KIM
• Starting FuM as at:	1-Jan-22	1-Jan-22
• Net increase in FuM for the remainder of this financial year (straight-lined to June 2022):	US$250m over the full year	US$135m over the full year
• Net increase in FuM in 2022/2023 (straight-lined to June 2023):	US$250m	US$135m
• Market growth:	0%	0%
• Overheads for 2021/22:	No change	No change
• Overheads for 2022/23:	+3% compared to 2021/22	+3% compared to 2021/22
• Corporation tax based on an estimated average rate (FY 22):	21%	24%
• Corporation tax based on an estimated average rate (FY 23):	22%	24%
• Exchange rate assumed to be for entire period:	£1/US$1.35	£1/US$1.35

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. Refer to note 4 in the interim financial statements for reconciliation on page 22.

Underlying profit and profit before tax	Six months ended 31st Dec 2021 £	Six months ended 31st Dec 2020 £	Year ended 30th June 2021 £
Net fee income	29,839,500	22,599,770	52,450,936
Administrative expenses	(14,282,692)	(11,355,646)	(25,631,432)
Net interest paid	(72,107)	(54,479)	(117,063)
Underlying profit before tax	15,484,701	11,189,645	26,702,441
(Deduct)/add back:			
(Loss)/gain on investments	(33,142)	454,278	540,172
Acquisition-related costs	–	(1,743,424)	(1,743,424)
Amortisation on acquired intangibles	(1,876,979)	(1,083,395)	(3,250,185)
Profit before tax	13,574,580	8,817,104	22,249,004

Cybersecurity update

In order to counter evolving cybersecurity threats, the Group has recently engaged an external vendor to assess our overall program's operating effectiveness, identify gaps and recommend enhancements.

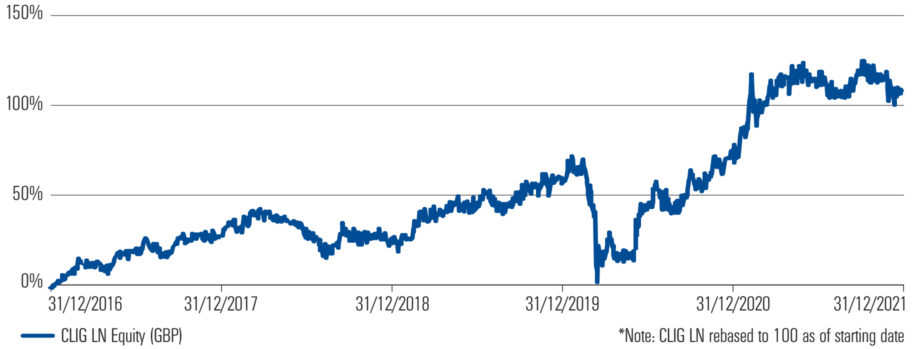
All employees will continue to receive training on a variety of cybersecurity topics throughout the year. We are also expanding the Diversity/Equality/Inclusion training provided in 2021 to include additional related topics.

CLIG KPI

As noted in the 2021 Annual Report and Accounts, due to the continued diversification of CLIG's business away from CLIM's core EM strategy, the comparison to MXEF (MSCI EM Index) as a Key Performance Indicator (KPI) is no longer relevant. We retain the share price KPI to show the total return of CLIG over a market cycle. The goal of this KPI is for the total return (share price plus dividends) to compound annually in a range of 7.5% to 12.5% over a five-year period. This KPI is meant to stretch the management team, without incentivising managers to take undue levels of risk.

For the five years ended 31st December 2021, CLIG's cumulative total return was 108.7%, or 15.8% annualised, which exceeded the KPI by 3.3 percentage points on an annualised basis. Since listing in April 2006, the annualised return of a CLIG share is 14.4%. All values are sourced from Bloomberg.

CLIG five-year graph



CLIG outlook

Efforts to diversify from CLIM’s EM-centric strategy via development of the INTL strategy proved timely with the underperformance of EM equities over the past five years relative to other equity asset classes. We believe that ongoing growth via diversification, including the merger with KIM, will continue to benefit all stakeholders by reducing the volatility of earnings and broadening our client base. The support of our stakeholders is appreciated as we continue to grow the combined business.

We remain guided in our decision-making by considering the best interests of our three major stakeholders – Clients, Employees, and Shareholders. We operate in a global market environment which remains volatile. Investors are concerned by a variety of factors including inflationary pressures, the response of central banks, geopolitical risks and the ongoing nature of the pandemic. Nevertheless, our continued strong cash position, while allowing for the payment of a special dividend, maintains a margin of safety for the Group in the face of any sustained downturn in markets and FuM.

Additionally, the efforts of our colleagues at both CLIM and KIM during another challenging six-month period is a key differentiator. They remain committed to the business and their responsibilities in the face of ongoing volatility and uncertainty caused by the ongoing pandemic. The Group has largely been spared from the impact of “The Great Resignation”, and we hope that our colleagues continue to feel supported and valued, while also recognising the impact and contribution of their hard work being reflected in the strong position of the larger Group. Their attitude, perseverance, and determination are the engine room that continue to drive this Group forward.

Tom Griffith
Chief Executive Officer
17th February 2022

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2021

	Note	Six months ended 31st Dec 2021 (unaudited) £	Six months ended 31st Dec 2020 (unaudited) £	Year ended 30th June 2021 (audited) £
Revenue				
Gross fee income	2	31,444,729	23,733,759	55,123,274
Commissions payable		(782,728)	(358,662)	(1,100,708)
Custody fees payable		(822,501)	(775,327)	(1,571,630)
Net fee income		29,839,500	22,599,770	52,450,936
Administrative expenses				
Employee costs		11,162,624	8,853,182	20,045,406
Other administrative expenses		2,767,044	2,139,428	4,866,625
Depreciation and amortisation		2,230,003	1,446,431	3,969,586
		(16,159,671)	(12,439,041)	(28,881,617)
Operating profit before exceptional item		13,679,829	10,160,729	23,569,319
Exceptional item				
Acquisition-related costs		–	(1,743,424)	(1,743,424)
Operating profit		13,679,829	8,417,305	21,825,895
Net interest (payable)/receivable and similar (losses)/gains	3	(105,249)	399,799	423,109
Profit before taxation		13,574,580	8,817,104	22,249,004
Income tax expense		(3,021,473)	(2,241,835)	(5,258,486)
Profit for the period		10,553,107	6,575,269	16,990,518
Profit attributable to:				
Non-controlling interests		(4,093)	12,330	19,285
Equity shareholders of the parent		10,557,200	6,562,939	16,971,233
Basic earnings per share	4	21.5p	17.7p	39.4p
Diluted earnings per share	4	21.2p	17.4p	38.8p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2021

	Six months ended 31st Dec 2021 (unaudited) £	Six months ended 31st Dec 2020 (unaudited) £	Year ended 30th June 2021 (audited) £
Profit for the period	10,553,107	6,575,269	16,990,518
Other comprehensive income:			
Items that may be subsequently reclassified to income statement			
Foreign currency translation difference	2,064,275	(175,923)	(6,675,136)
Total comprehensive income for the period	12,617,382	6,399,346	10,315,382
Attributable to:			
Equity shareholders of the parent	12,621,475	6,387,016	10,296,097
Non-controlling interests	(4,093)	12,330	19,285

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31ST DECEMBER 2021

	Note	31st Dec 2021 (unaudited) £	31st Dec 2020 (unaudited) £	30th June 2021 (audited) £
Non current assets				
Property and equipment	2	541,920	512,846	455,983
Right-of-use assets	2	2,483,666	1,863,368	2,757,179
Intangible assets	2,5	101,119,637	110,260,241	100,961,992
Other financial assets		6,210,092	4,326,183	4,373,485
Deferred tax asset		370,265	317,371	366,405
		110,725,580	117,280,009	108,915,044
Current assets				
Trade and other receivables		6,484,325	7,011,563	6,953,470
Cash and cash equivalents		24,506,056	17,545,110	25,514,619
		30,990,381	24,556,673	32,468,089
Current liabilities				
Trade and other payables		(7,031,598)	(5,910,861)	(8,260,597)
Lease liabilities		(402,151)	(584,404)	(392,954)
Current tax payable		(1,374,356)	(2,061,263)	(1,367,564)
Creditors, amounts falling due within one year		(8,808,105)	(8,556,528)	(10,021,115)
Net current assets		22,182,276	16,000,145	22,446,974
Total assets less current liabilities		132,907,856	133,280,154	131,362,018
Non current liabilities				
Lease liabilities		(2,126,921)	(1,301,128)	(2,348,101)
Deferred tax liability		(8,389,334)	(9,809,808)	(8,696,813)
Net assets		122,391,601	122,169,218	120,317,104
Capital and reserves				
Share capital		506,791	506,791	506,791
Share premium account		2,256,104	2,256,104	2,256,104
Merger relief reserve		101,538,413	101,538,413	101,538,413
Investment in own shares	6	(6,926,039)	(4,575,581)	(6,068,431)
Share option reserve		168,935	186,470	195,436
EIP share reserve		1,071,618	900,795	1,282.884
Foreign currency differences reserve		(4,564,976)	(130,038)	(6,629,251)
Capital redemption reserve		26,107	26,107	26,107
Retained earnings		28,129,274	21,277,645	27,019,584
Attributable to:				
Equity shareholders of the parent		122,206,227	121,986,706	120,127,637
Non-controlling interests		185,374	182,512	189,467
Total equity		122,391,601	122,169,218	120,317,104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2021

	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 2021	506,791	2,256,104	101,538,413	(6,068,431)	195,436	1,282,884	(6,629,251)	26,107	27,019,584	120,127,637	189,467	120,317,104
Profit for the period	–	–	–	–	–	–	–	–	10,557,200	10,557,200	(4,093)	10,553,107
Other comprehensive income	–	–	–	–	–	–	2,064,275	–	–	2,064,275	–	2,064,275
Total comprehensive income	–	–	–	–	–	–	2,064,275	–	10,557,200	12,621,475	(4,093)	12,617,382
Transactions with owners												
Share option exercise	–	–	–	124,250	(12,787)	–	–	–	12,787	124,250	–	124,250
Purchase of own shares	–	–	–	(2,349,321)	–	–	–	–	–	(2,349,321)	–	(2,349,321)
Share-based payment	–	–	–	–	17,285	465,900	–	–	–	483,185	–	483,185
EIP vesting/forfeiture	–	–	–	1,367,463	–	(677,166)	–	–	–	690,297	–	690,297
Deferred tax on share options	–	–	–	–	(30,999)	–	–	–	(2,992)	(33,991)	–	(33,991)
Current tax on share options	–	–	–	–	–	–	–	–	12,890	12,890	–	12,890
Dividends paid	–	–	–	–	–	–	–	–	(9,470,195)	(9,470,195)	–	(9,470,195)
Total transactions with owners	–	–	–	(857,608)	(26,501)	(211,266)	–	–	(9,447,510)	(10,542,885)	–	(10,542,885)
As at 31st December 2021	**506,791**	**2,256,104**	**101,538,413**	**(6,926,039)**	**168,935**	**1,071,618**	**(4,564,976)**	**26,107**	**28,129,274**	**122,206,227**	**185,374**	**122,391,601**

	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	241,184	–	101,538,413	–	–	–	–	–	–	101,779,597	–	101,779,597
Share issue costs	–	–	–	–	–	–	–	–	(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

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 £
As 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	–	–	–	–	–	–	–	–	16,971,233	16,971,233	19,285	16,990,518
Other comprehensive income	–	–	–	–	–	–	(6,675,136)	–	–	(6,675,136)	–	(6,675,136)
Total comprehensive income	–	–	–	–	–	–	(6,675,136)	–	16,971,233	10,296,097	19,285	10,315,382
Transactions with owners												
Issue of ordinary shares on merger	241,184	–	101,538,413	–	–	–	–	–	–	101,779,597	–	101,779,597
Share issue costs	–	–	–	–	–	–	–	–	(967,881)	(967,881)	–	(967,881)
Share option exercise	–	–	–	830,819	(119,787)	–	–	–	119,787	830,819	–	830,819
Purchase of own shares	–	–	–	(2,503,244)	–	–	–	–	–	(2,503,244)	–	(2,503,244)
Share-based payment	–	–	–	–	(12,023)	760,645	–	–	–	748,622	–	748,622
EIP vesting/forfeiture	–	–	–	1,369,987	–	(709,825)	–	–	–	660,162	–	660,162
Deferred tax on share options	–	–	–	–	85,779	–	–	–	(20,574)	65,205	–	65,205
Current tax on share options	–	–	–	–	–	–	–	–	33,738	33,738	–	33,738
Dividends paid	–	–	–	–	–	–	–	–	(9,743,124)	(9,743,124)	–	(9,743,124)
Total transactions with owners	241,184	–	101,538,413	(302,438)	(46,031)	50,820	–	–	(10,578,054)	90,903,894	–	90,903,894
At 30th June 2021	506,791	2,256,104	101,538,413	(6,068,431)	195,436	1,282,884	(6,629,251)	26,107	27,019,584	120,127,637	189,467	120,317,104

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2021

	Note	Six months ended 31st Dec 2021 (unaudited) £	Six months ended 31st Dec 2020 (unaudited)(2) £	Year ended 30th June 2021 (audited) £
Cash flow from operating activities				
Profit before taxation		13,574,580	8,817,104	22,249,004
Adjustments for:				
Depreciation of property and equipment		89,650	95,595	187,714
Depreciation of right-of-use assets		259,144	242,037	492,730
Amortisation of intangible assets	5	1,881,209	1,108,799	3,289,142
Share-based payment charge/(credit)		17,285	(20,288)	(12,023)
EIP-related charge		466,945	548,098	802,314
Loss/(gain) on investments	3	33,142	(454,278)	(540,172)
Interest receivable	3	(4,926)	(12,823)	(17,689)
Interest payable	3	77,033	67,302	134,752
Translation adjustments		185,970	(35,628)	33,529
Cash generated from operations before changes in working capital		16,580,032	10,355,918	26,619,301
Decrease/(increase) in trade and other receivables		469,138	(235,649)	(439,607)
(Decrease)/increase in trade and other payables		(540,999)	140,932	2,800,465
Cash generated from operations		16,508,171	10,261,201	28,980,159
Interest received	3	4,926	12,823	17,689
Interest paid on leased assets	3	(77,033)	(67,302)	(133,827)
Interest paid		–	–	(925)
Taxation paid		(3,496,583)	(1,646,534)	(5,841,493)
Net cash generated from operating activities		12,939,481	8,560,188	23,021,603
Cash flow from investing activities				
Purchase of property and equipment and intangibles		(173,807)	(55,314)	(93,342)
Purchase of non-current financial assets		(1,889,216)	–	(715)
Proceeds from sale of non-current financial assets		7,080	–	–
Cash consideration paid on merger net of cash acquired		–	946,773	946,773
Net cash (used in)/generated from investing activities		(2,055,943)	891,459	852,716
Cash flow from financing activities				
Ordinary dividends paid	8	(9,470,195)	(4,980,305)	(9,743,124)
Purchase of own shares by employee benefit trust		(2,349,321)	(401,288)	(2,503,244)
Proceeds from sale of own shares by employee benefit trust		124,250	221,712	830,819
Payment of lease liabilities		(243,459)	(247,139)	(486,680)
Share issue costs		–	(967,881)	(967,881)
Net cash used in financing activities		(11,938,725)	(6,374,901)	(12,870,110)
Net (decrease)/increase in cash and cash equivalents		(1,055,187)	3,076,746	11,004,209
Cash and cash equivalents at start of period		25,514,619	14,594,333	14,594,333
Cash held in funds (1)		41,574	12,588	20,357
Effect of exchange rate changes		5,050	(138,557)	(104,280)
Cash and cash equivalents at end of period		24,506,056	17,545,110	25,514,619

(1) Cash held in funds was consolidated using accounts drawn up as at the end of the period.

(2) Following an FRC corporate reporting review of the Group's 2020 Annual Report and Accounts, in accordance with IAS 7 paragraph 16, acquisition-related costs and share issue costs disclosed as cash flows from investing activities in the 2020/2021 half year report have been restated as cash flows from operating and financing activities within the 2020 comparative above. This restatement does not impact closing cash; it solely relates to the classification of these 2020 exceptional cash outflows as operating activities and net cash used in financing activities respectively as opposed to investing activities as previously reported. Refer note 11 'Restatement of comparative cash flow information'.

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 2021 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 UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The accounting policies adopted and the estimates and judgements used in the preparation of the unaudited consolidated financial statements are consistent with those set out and applied in the statutory accounts of the Group for the year ended 30th June 2021, which were prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 2021.

Group companies are regulated and perform annual capital adequacy and liquidity assessments, which incorporates a series of stress tests on the Group's financial position over a three-year period from 30th November 2021. These forecasts have been prepared taking into account the potential impact of COVID-19 on the Group's operations.

The Group's financial projections and the capital adequacy and liquidity assessments provide comfort that the Group has adequate financial and regulatory resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the interim financial statements.

New or amended accounting standards and interpretations adopted

The Group has adopted all relevant new or amended International Accounting Standards and interpretations as adopted by the UK that are mandatory for the current reporting period. Any new or amended accounting standards that are not mandatory have not been early adopted. None of the standards not yet effective are expected to have a material impact on the Group's financial statements.

2. SEGMENTAL ANALYSIS

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

	USA £	Canada £	UK £	Europe (ex UK) £	Other £	Total £
Six months to 31st Dec 2021						
Gross fee income	29,950,594	739,166	160,150	594,819	–	31,444,729
Non-current assets:						
Property and equipment	262,246	–	255,745	–	23,929	541,920
Right-of-use assets	1,278,965	–	1,174,344	–	30,357	2,483,666
Intangible assets	101,116,490	–	3,147	–	–	101,119,637
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
Year to 30th June 2021						
Gross fee income	52,215,280	1,458,957	356,462	1,092,575	–	55,123,274
Non-current assets:						
Property and equipment	175,387	–	254,197	–	26,399	455,983
Right-of-use assets	1,421,279	–	1,263,534	–	72,366	2,757,179
Intangible assets	100,954,615	–	7,377	–	–	100,961,992

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 £2,966,412 (year to 30th June 2021 – £5,470,051; six months to 31st December 2020 – £2,488,298) 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 any of the reporting periods.

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

	Six months ended 31st Dec 2021 (unaudited) £	Six months ended 31st Dec 2020 (unaudited) £	Year ended 30th June 2021 (audited) £
Interest on bank deposit	4,926	12,823	17,689
Unrealised (loss)/gain on investments	(36,511)	454,278	540,172
Realised gain on investments	3,369	–	–
Interest payable on lease liabilities	(77,033)	(67,302)	(133,827)
Interest payable on restated US tax returns	–	–	(925)
	(105,249)	399,799	423,109

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 2021.

As set out in note 6 the Employee Benefit Trust held 1,689,428 ordinary shares in the Company as at 31st December 2021. 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 2021.

4. EARNINGS PER SHARE CONTINUED

Reported earnings per share

	Six months ended 31st Dec 2021 (unaudited) £	Six months ended 31st Dec 2020 (unaudited) £	Year ended 30th June 2021 (audited) £
Profit attributable to the equity shareholders of the parent for basic earnings	10,557,200	6,562,939	16,971,233

	Number of shares	Number of shares	Number of shares
Issued ordinary shares as at 1st July	50,679,095	26,560,707	26,560,707
Effect of own shares held by EBT	(1,558,012)	(1,537,864)	(1,502,266)
Effect of shares issued in the period	–	12,059,194	18,039,233
Weighted average shares in issue	49,121,083	37,082,037	43,097,674
Effect of movements in share options and EIP awards	636,718	615,017	677,739
Diluted weighted average shares in issue	49,757,801	37,697,054	43,775,413
Basic earnings per share (pence)	21.5	17.7	39.4
Diluted earnings per share (pence)	21.2	17.4	38.8

4. EARNINGS PER SHARE CONTINUED

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 related tax impact and non-controlling interest.

Underlying profit for calculating underlying earnings per share

	Six months ended 31st Dec 2021 (unaudited) £	Six months ended 31st Dec 2020 (unaudited) £	Year ended 30th June 2021 (audited) £
Profit before tax	13,574,580	8,817,104	22,249,004
Add back/(deduct):			
– Loss/(gain) on investments	33,142	(454,278)	(540,172)
– Acquisition-related costs	–	1,743,424	1,743,424
– Amortisation on acquired intangibles	1,876,979	1,083,395	3,250,185
Underlying profit before tax	15,484,701	11,189,645	26,702,441
Tax expense as per the consolidated income statement	(3,021,473)	(2,241,835)	(5,258,486)
Tax effect of acquisition-related costs and amortisation of acquired intangibles	(456,805)	(117,190)	(677,412)
Adjustment for NCI	4,093	(12,330)	(19,285)
Underlying profit after tax for the calculation of underlying earnings per share	12,010,516	8,818,290	20,747,258
Underlying earnings per share (pence)	24.5	23.8	48.1
Underlying diluted earnings per share (pence)	24.1	23.4	47.4

* This is an Alternative Performance Measure (APM). Please refer to page 10 for more details on APMs.

5. INTANGIBLE ASSETS

	31st December 2021							
	Goodwill £	Direct customer relationships £	Distribution channels £	Trade name £	Long-term software £	Total £	31st Dec 2020 Total £	30th Jun 2021 Total £
Cost								
At start of period	65,123,297	33,472,334	4,590,186	1,018,983	689,100	104,893,900	761,971	761,971
Acquired on acquisition	–	–	–	–	–	–	111,323,195	111,323,195
Currency translation	1,438,949	559,626	66,246	18,856	(4,865)	2,078,812	(65,428)	(7,191,266)
At close of period	66,562,246	34,031,960	4,656,432	1,037,839	684,235	106,972,712	112,019,738	104,893,900
Amortisation charge								
At start of period	–	2,673,300	522,535	54,350	681,723	3,931,908	714,662	714,662
Charge for the period	–	1,543,828	301,764	31,387	4,230	1,881,209	1,108,799	3,289,142
Currency translation	–	36,867	7,207	749	(4,865)	39,958	(63,964)	(71,896)
At close of period	–	4,253,995	831,506	86,486	681,088	5,853,075	1,759,497	3,931,908
Net book value	66,562,246	29,777,965	3,824,926	951,353	3,147	101,119,637	110,260,241	100,961,992

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 7).

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.

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.

The total amortisation charged to the income statement for the six months ended 31st December 2021 in relation to direct client relationships, distribution channels and trade name, was £1,876,979 (nine-month period from the date of the merger to 30th June 2021 – £3,250,185, three-month period from the date of the merger to 31st December 2020 – £1,083,395).

5. INTANGIBLE ASSETS CONTINUED

Impairment

Goodwill acquired through business combination is in relation to the merger with KIM and relates to the acquired workforce and future expected growth of the Cash Generating Unit (CGU).

The Group's policy is to test goodwill arising on acquisition for impairment annually, or more frequently if changes in circumstances indicate a possible impairment. The Group has considered whether there have been any indicators of impairment during the six months ended 31st December 2021, which would require an impairment review to be performed. The Group has considered indicators of impairment with regard to a number of factors, including those outlined in IAS 36 'Impairment of assets'. Based upon this review, the Group has concluded that there are no such indicators of impairment as at 31st December 2021.

6. 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 2021 the Trust held 1,001,315 ordinary 1p shares (30th June 2021 – 913,038; 31st December 2020 – 679,038), of which 366,750 ordinary 1p shares (30th June 2021 – 405,750; 31st December 2020 – 420,750) were subject to options in issue.

The Trust also held in custody 688,113 ordinary 1p shares (30th June 2021 – 678,120; 31st December 2020 – 678,120) 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 2021 – 1,689,428; 30th June 2021 – 1,591,158; 31st December 2020 – 1,357,158).

7. 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.

Details of the net assets acquired, goodwill and purchase consideration are detailed in note 6 on pages 107 to 108 of the Annual Report and Accounts for the year ended 30th June 2021.

8. DIVIDENDS

A final dividend of 22p per share (gross amount payable £11,149,401; net amount paid £9,470,195*) in respect of the year ended 30th June 2021 was paid on 29th October 2021.

An interim dividend of 11p per share (2021 – 11p) (gross amount payable £5,574,700; net amount payable £5,388,863*) in respect of the year ending 30th June 2022 will be paid on 25th March 2022 to members registered at the close of business on 25th February 2022.

In addition, a special dividend of 13.5p per share (2021 – nil) (gross amount payable £6,841,678; net amount payable £6,613,605*) in respect of the year ending 30th June 2022 will be paid on 25th March 2022 to members registered at the close of business on 25th February 2022.

* Difference between gross and net amounts is on account of shares held at EBT that do not receive dividend and 25% waived dividend on new shares issued upon merger in accordance with the lockup deed (applicable for dividends for the year ended 30th June 2021 only).

9. 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 in the second half of the financial year are substantially the same as those described in the last annual report (see page 28 and 29 of the Annual Report and Accounts for the year ended 30th June 2021), 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 material error, loss of key personnel, Technology/IT, 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.

10. 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 2021	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other non-current financial assets	4,366,296	1,843,796	–	6,210,092
Forward currency trades	–	37,650	–	37,650
Total	4,366,296	1,881,446	–	6,247,742

There are no financial liabilities at fair value at 31st December 2021.

10. FINANCIAL INSTRUMENTS CONTINUED

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.

30th June 2021	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other non-current financial assets	2,498,719	1,874,766	–	4,373,485
Total	2,498,719	1,874,766	–	4,373,485
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	69,558	–	69,558
Total	–	69,558	–	69,558

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 £19,116 (30th June 2021: net loss £60,607; 31st December 2020: net loss £3,416).

11. RESTATEMENT OF COMPARATIVE CASH FLOW INFORMATION

The FRC's corporate reporting review of the Group's Annual Report and Accounts to 30th June 2020 highlighted that IAS 7 Statement of cash flows paragraph 16 prevents items being classified as investing activities unless a corresponding asset is also capitalised. Acquisition-related costs were incurred over both the year ended 30th June 2020 and in the six months ended 31st December 2020. The FRC's review was completed after the publication of the interim financial statements for the six months ended 31st December 2020 and thus the same restatement made to the full year 2020 financial statements has been made to correct the comparative cash flow statement for the six months ended 31st December 2020.

Cash outflows related to acquisition-related costs of £1,743,424 and share issue costs of £967,881 have now been presented within cash flows from operating activities and financing activities respectively as opposed to cash flows from investing activities in the Consolidated cash flow statement.

Net cash generated from operating activities for the six months ended 31st December 2020 has decreased by £1,743,424 from £10,303,612 to £8,560,188, net cash used in investing activities has decreased by £2,711,304 from cash used in investing activities of £1,819,845 to cash generated of £891,459, and net cash used in financing activities has increased by £967,881 from £5,407,020 to £6,374,901.

	Previously reported £	Restatement £	Restated £
Cash flow statement line item			
Net cash generated from operating activities	10,303,612	(1,743,424)	8,560,188
Acquisition-related costs	(1,743,424)	–	(1,743,424)
Share issue costs	(967,881)	–	(967,881)
Net cash (used in)/generated by investing activities	(1,819,845)	2,711,304	891,459
Net cash used in financing activities	(5,407,020)	(967,881)	(6,374,901)

The FRC's enquiries regarding this matter are now complete. It must be noted that the FRC's review is limited to the published 2020 Annual Report and Accounts; it does not benefit from a detailed understanding of underlying transactions and provides no assurance that the Annual Report and Accounts are correct in all material respects. Further details are provided within the Audit and Risk Committee report included in Annual Report and Accounts for the year ended 30th June 2021.

12. GENERAL

The interim financial statements for the six months ended 31st December 2021 were approved by the Board on 17th February 2022. 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.clig.co.uk.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK; and
- The Half Year Report includes a fair review of the information required by:
- DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of City of London Investment Group PLC are as listed in the Annual Report and Accounts 2020-2021. A list of current Directors is maintained at www.clig.co.uk

By order of the Board

Tom Griffith
Chief Executive Officer

17th February 2022

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 2021 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with UK-adopted International Accounting Standards. 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 contained in UK-adopted International Accounting Standards.

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 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards, and the Disclosure Guidance 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 Guidance 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
Chartered Accountants
25 Farringdon Street
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17th February 2022

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