CITY OF LONDON
INVESTMENT GROUP PLC

INTERIM REPORT
November 2007

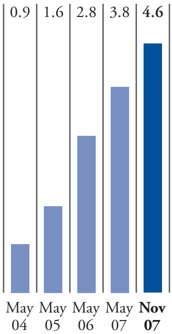
City of London Investment Group PLC (AIM: CLIG), is a leading emerging market and natural resource asset management group. The Group services predominantly institutional clients, including some of the world's most prominent institutions. City of London operates its business from offices in London, the US, Singapore and most recently Dubai.

Contents

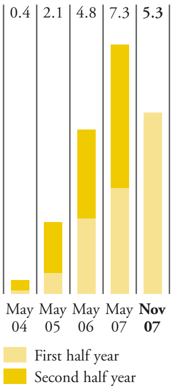
Interim highlights

- During the six months to November 2007, Emerging markets continued to perform strongly and City of London met or exceeded client benchmarks once again.
- Dubai office opened January 2008.
- Funds under management of US$4.59 billion at the half year end (2006: US$3.1 billion and US$3.8 billion at the year end on 31st May 2007).
- First time adoption of IFRS – no material restatements.
- Revenue up 46% to £12.1 million (2006: £8.3 million).
- Profit before tax up 72% to £5.3 million (2006: £3.1 million).
- Basic profit per share up 69% to 14.5p (2006: 8.6p) and fully diluted profit per share up 68% to 12.8p (2006: 7.6p).
- New more generous dividend policy based on profit per share cover of one and a half times instead of two times. Interim dividend for the period of 6p per share payable on 3rd March 2008 to shareholders on the register on 15th February 2008, implying a final dividend of 12p per share, subject to the Group meeting current market forecasts for the year as a whole.

Funds under management US$bn



Pre-tax profit £m



"Continued growth in funds under management, a maintained focus on control of costs and the operational gearing inherent in the business, fed through to a sharp increase in profitability for the first half."

Andrew Davison, Chairman

Chairman's statement

"City of London has again made good progress towards its strategic goals of diversifying the business in terms of clients, investment products and geographical reach."

In the trading update at the Annual General meeting at the end of October 2007, I advised shareholders that continued growth in funds under management, a maintained focus on control of costs and the operational gearing inherent in the business, had fed through to a sharp increase in profitability for the first five months of the current financial year. I am pleased to report that results for November, the final month of the period under review, showed a continuation of this progress and that the outturn for the half year as a whole produced record levels of turnover, profit before tax and profit per share for the Group.

Results

These results are the first prepared by City of London under policies consistent with International Financial Reporting Standards ("IFRS"). As a consequence, results for comparative periods have been restated to reflect this adoption. None of the IFRS restatements are material.

Funds under management increased from US$3.8 billion at the last year end in May 2007 to a half year end figure of US$4.6 billion (2006: US$3.1 billion). Out-performance of client benchmarks in the rising emerging markets experienced in the period and the addition of net new funds both contributed to this increase. Revenue, representing our fees charged on funds under management, increased by 46% to £12.1 million (2006: £8.3 million). Administrative expenses rose to £7.4 million (2006: £5.3 million) with 73% of the increase being attributable to rises in variable costs: commission payments on our higher fees and profit related staff payments.

Profit before taxation increased by 72% to £5.3 million (2006: £3.1 million), reflecting the operational gearing of the Group's business, together with the substantial increase in interest receivable as a result of higher cash balances, and some £0.3 million (2006: nil) of profits on the disposal of seed shareholdings in new funds. Basic profit per share, after a 33% tax charge of £1.8 million (2006: £1.0 million representing 33% of pre-tax profit), was 14.5p (2006: 8.6p) and fully diluted profit per share was 12.8p (2006: 7.6p).

Dividends

City of London is a cash generative business with little requirement for significant additional capital or operating expenditure and cash balances at the half year end amounted to £8.1 million, almost double the level at the end of the first half of last year. As a result, the Directors have decided to revise the dividend policy from paying dividends twice covered by full year profit per share to one based closer to one and a half times cover, whilst still intending to maintain a total anticipated annual distribution pattern approximating to one third as an interim dividend and two thirds as a final dividend.

The Board has declared an interim dividend of 6p per share, payable on 3rd March 2008 to shareholders on the register on 15th February 2008.

The new dividend policy thus implies a final dividend of approximately 12p per share, subject of course to the Group meeting current market forecasts for the year as a whole.

Outlook

This statement is written during a period of dramatic and global falls in market value. The extent of the volatility makes precise measurement of funds under management of only transitory value. The last funds under management before going to press was US$4.25 billion.

City of London has again made good progress towards its strategic goals of diversifying the business in terms of clients, investment products and geographical reach and a more detailed description of this progress is contained in the Chief Executive Officer's Review which follows.

As always, we are prepared for, and expecting, the volatility that is characteristic of the emerging markets in which we principally invest. However, we believe that their investment fundamentals – both long and short term – are sufficiently attractive to ensure that institutional investors increasingly regard exposure to them as a mandatory component of well rounded portfolios. This, together with the continuing trend towards multi-mandate awards by fund trustees, gives us confidence in the outlook for City of London. We remain very well positioned to continue to grow the Group for the benefit of our clients and shareholders.

Andrew Davison
Chairman
24th January 2008

Chief Executive Officer's review

"We are making good progress with our diversification strategy – first in terms of expanding our core emerging markets business geographically, second, using our investment trust discipline in other areas separate from emerging markets and third developing our emerging markets equities (as compared with closed end funds) business."

This is our second interim statement since our listing. I have followed the same format in this document as in the first interim statement and also our Annual Report and Accounts.

The six months to November 2007

Funds Under Management ("FUM") increased from $3.793 billion (£1.916 billion) to $4.592 billion (+21%) (£2.231 billion) (+16%) during the six months to the end of November (the period under review). Our total FUM have continued to benefit from out-performance versus our benchmarks. For the calendar year 2007, 16 out of the 19 emerging market funds or segregated accounts (97% of FUM) outperformed their benchmarks, with 7 ranked as top decile performers in a US universe of institutional emerging market funds, and a further 4 as top quartile performers. For the fourth quarter of 2007, all 19 were top quartile performers, and of these 12 were top decile. In the past six months we have received rebalancing requests totalling $236 million from 43 clients. The figure for the calendar year 2007 was $568 million from 74 clients. As referenced in previous reviews we consider this to be a healthy development as it puts us in a good position in the event that we enter a bear market. This is because clients are, to a significant extent, presently adjusting their exposure (i.e. "rebalancing") to emerging markets reducing the need for this to occur as markets are falling. All of these assets have been more than replaced with new mandates (please see below under New mandates). As of writing this review 24th January 2008 we have not lost any institutional client accounts in 2008. In fact, we lost only one institutional client account in the entire calendar year 2007.

We have continued with both our FUM hedging program and our current US$ hedging strategy. In both cases these have assisted in stabilising our P&L. From the perspective of our FUM, after the recent falls we have reduced our hedges as we believe that the emerging markets are now, at least compared to the developed markets, relatively good value.

Having said that, our client portfolios at present have betas of around 0.9 as compared to their respective indices and we have cash across our portfolios of around 1.5% at the time of writing. This has been reduced from 4.5% in December.

We do not buy into the view that there can be a significant level of emerging markets decoupling from the developed markets at the present time for two reasons:

1) We do not anticipate market participants will buy into a significant level of emerging market decoupling, thus this would seem unlikely to occur. In reality securities are sold as well as bought and there is a great propensity to sell what you own representing the greatest profit over book cost.

2) Established correlations take years to break down and it would seem as if the emerging markets

will have to go through an entire developed markets bear market before finally coming of age. Having said this, the correlation between the developed and the emerging markets, whilst remaining close over the past few years, has still allowed significant emerging markets out-performance and in the recent turmoil they would seem, even in the recent down markets, to be continuing with this out-performance.

We continue to believe that the emerging markets remain in an extended bull market. As a result, we would continue to suggest that whilst there will be bumps along the way that for as long as China, India and a number of other emerging market economies continue to grow at in excess of four times the pace of developed economies we will continue to experience significant growth in our business for as long as our investment performance is maintained.

We are well used to dealing with volatility both from an emerging market as well as a Group P&L perspective. We are very significantly ahead of our budget for 2008 and have shown our confidence in the future in terms of our interim dividend recommendation of 6p which is double last year's interim payment. Whilst this should not be taken as a forecast we have a stated dividend policy which is, to the extent that this is possible, that the interim dividend will equate to one third of the total dividend for the year.

Diversification

We are continuing to diversify our business.

As an institutional firm we do not have the ability to put new products out in the market place in the hope of attracting external support. Instead we generally use our own (i.e. shareholders') cash to seed new funds. In the event that these funds then perform well relative to their chosen benchmarks, we will introduce them to consultants and/or potential clients. Over the past six months four such funds have received external support, and as a result our seed money has been withdrawn. Overall we have withdrawn $1.5 million from these investments in our own funds during the first half year, giving rise to a transfer of £0.3 million from the revaluation reserve for unrealised gains to the consolidated income statement.

As I stated in our Report and Accounts, our present diversification, which we plan to be organic, falls into three categories:

1) To diversify our core emerging markets business geographically.

   Since January 2006, the percentage of assets that are sourced outside the US has increased from 17% to 24%. I would estimate that this figure will be around 27% within the next two months.

2) To use our investment trust discipline in other areas separate from the emerging markets.

3) To develop our emerging markets equities (as compared with closed end funds) business.

Dubai office

This office is now operational. It is adding significant additional value to our investment process. Towards the end of the last (calendar) year we added a significant amount of GCC (Gulf Cooperation Council) exposure to our portfolios. We have added additional exposure during January 2008 as well. Coincidentally we won our first local mandate in December. I would suggest that this is around two years ahead of our planned schedule!

Cost income ratio

We have made further progress regarding reducing our cost income ratio. Whilst a half year is a short period of measurement this has fallen from 52% at the end of our fiscal year end 2007 to 50% at the end of the half year under review.

Chief Executive Officer's review

Continued

New mandates

As of 21st January FUM totalled $4.25 billion. To this figure should be added a further $300 million still to be funded from recent madates that have been won, including two significant emerging market mandates, one in the US and the other in the UK. Through to the end of February 2008, net inflows are projected to be in excess of $270 million. I would make the additional point that MXEF (MSCI emerging markets index) is now down around 22.5% from its recent high.

Strategic positioning

I would like to make shareholders aware of some of CoL's strategic differentiating factors:

- **Most fund managers encourage the cult of the Individual. CoL presents a Team Approach to Fund Management.**

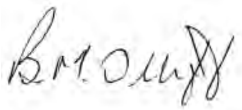
- **Many fund managers focus on gathering assets. CoL focuses on Investment Performance.**

- **Certain fund managers manage Hedge Funds. CoL does not.**

- **Some fund managers focus on Retail. CoL focuses on Institutional Clients.**

- **A few fund managers have encouraged hot money. CoL avoids it.**

- **From a strategic perspective many fund managers manage money on an Absolute basis. CoL manages all Client assets on a relative basis against a Benchmark.**



Barry Olliff
Chief Executive Officer
24th January 2008

Consolidated income statement

For the six months ended 30th November 2007

	Note	Six months ended 30th Nov 2007 (unaudited) £	Six months ended 30th Nov 2006 (as restated) (unaudited) £	Year ended 31st May 2007 (as restated) (unaudited) £
Revenue	2	12,131,322	8,298,109	18,304,881
Administrative expenses				
Staff costs		4,104,808	2,780,547	5,954,730
Other administrative expenses		3,201,153	2,444,495	5,139,946
Depreciation		67,628	53,299	120,494
		(7,373,589)	(5,278,341)	(11,215,170)
Operating profit		4,757,733	3,019,768	7,089,711
Interest receivable and similar income		568,849	81,818	226,731
Profit before tax		5,326,582	3,101,586	7,316,442
Income tax expense		(1,765,999)	(1,008,143)	(2,420,500)
Profit for the period		3,560,583	2,093,443	4,895,942
Basic profit per share	3	14.5p	8.6p	20.0p
Diluted profit per share	3	12.8p	7.6p	17.6p

Group balance sheet

30th November 2007

	Note	30th Nov 2007 (unaudited) £	30th Nov 2006 (as restated) (unaudited) £	31st May 2007 (as restated) (unaudited) £
Non-current assets				
Property and equipment		222,083	190,099	193,362
Other financial assets		49,327	46,605	46,859
		271,410	236,704	240,221
Current assets				
Trade and other receivables		4,324,836	2,487,130	2,613,212
Available-for-sale financial assets		2,221,397	2,033,316	2,231,989
Other financial assets		163,677	–	59,665
Cash and cash equivalents		8,103,454	4,660,164	6,616,824
		14,813,364	9,180,610	11,521,690
Current liabilities				
Trade and other payables		(3,397,988)	(2,158,411)	(2,162,168)
Current tax payable		(1,320,525)	(824,333)	(1,047,906)
		(4,718,513)	(2,982,744)	(3,210,074)
Net current assets		10,094,851	6,197,866	8,311,616
Total assets less current liabilities		10,366,261	6,434,570	8,551,837
Non-current liabilities				
Deferred tax		(112,567)	(59,499)	(126,805)
Net assets		10,253,694	6,375,071	8,425,032
Capital and reserves				
Called up share capital		267,777	267,777	267,777
Share premium account		1,357,283	1,357,283	1,357,283
Investment in own shares	4	(1,682,667)	(1,284,436)	(1,573,525)
Revaluation reserve		481,175	252,919	457,471
Share option reserve		312,170	162,982	230,845
Retained earnings		9,517,956	5,618,546	7,685,181
Total equity		10,253,694	6,375,071	8,425,032

Consolidated statement of changes in shareholders' equity

For the six months ended 30th November 2007

	Share capital £	Share premium account £	Investment in own shares £	Revaluation reserve £	Share option reserve £	Profit and loss account £	Total £
At 1st June 2007	267,777	1,357,283	(1,573,525)	457,471	230,845	7,685,181	8,425,032
Purchase of own shares	–	–	(301,681)	–	–	–	(301,681)
Share option exercise	–	–	192,539	–	–	–	192,539
Revaluation reserve							
(net of deferred tax)	–	–	–	23,704	–	–	23,704
Share option reserve	–	–	–	–	81,325	–	81,325
Profit for the period	–	–	–	–	–	3,560,583	3,560,583
Dividends paid	–	–	–	–	–	(1,727,808)	(1,727,808)
As at 30th November 2007	**267,777**	**1,357,283**	**(1,682,667)**	**481,175**	**312,170**	**9,517,956**	**10,253,694**

	Share capital £	Share premium account £	Investment in own shares £	Revaluation reserve £	Share option reserve £	Profit and loss account £	Total £
At 1st June 2006	267,777	1,357,283	(1,027,283)	94,154	106,325	3,525,103	4,323,359
Purchase of own shares	–	–	(349,966)	–	–	–	(349,966)
Share option exercise	–	–	92,813	–	–	–	92,813
Revaluation reserve							
(net of deferred tax)	–	–	–	158,765	–	–	158,765
Share option reserve	–	–	–	–	56,657	–	56,657
Profit for the period	–	–	–	–	–	2,093,443	2,093,443
Dividends paid	–	–	–	–	–	–	–
As at 30th November 2006	267,777	1,357,283	(1,284,436)	252,919	162,982	5,618,546	6,375,071

Cash flow statement

For the six months ended 30th November 2007

	Note	Six months ended 30th Nov 2007 (unaudited) £	Six months ended 30th Nov 2006 (as restated) (unaudited) £	Year ended 31st May 2007 (as restated) (unaudited) £
Cash flow from operating activities				
Profit before tax		5,326,582	3,101,586	7,316,442
Adjustments for:				
Interest and profit on sale of investments		(568,849)	(81,818)	(226,731)
Depreciation charges		67,628	53,299	120,494
Share based payment charge		81,325	56,657	124,520
Translation adjustments on investments		72,903	61,084	68,177
Cash generated from operations before changes in working capital		4,979,589	3,190,808	7,402,902
Increase in trade and other receivables		(1,711,624)	(350,818)	(476,900)
Increase in trade and other payables		1,235,820	778,934	782,691
Cash generated from operations		4,503,785	3,618,924	7,708,693
Taxation paid		(1,517,777)	(981,499)	(2,190,642)
Net cash generated from operating activities		2,986,008	2,637,425	5,518,051
Cash flow from investing activities				
Purchase of property and equipment		(96,349)	(17,459)	(87,917)
Proceeds from sale of property and equipment		–	–	–
Purchase of non-current financial assets		–	–	(255)
Proceeds from sale of non-current financial assets		14,424	29,627	29,627
Purchase of current financial assets		(1,115,762)	(508,208)	(580,139)
Proceeds from sale of current financial assets		1,284,288	–	114,161
Interest received		250,971	67,017	196,487
Net cash generated/used in investing activities		337,572	(429,023)	(328,036)
Cash flow generated/from financing activities				
Ordinary dividends paid		(1,727,808)	–	(735,864)
Purchase of own shares by employee share option trust		(301,681)	(349,966)	(670,948)
Proceeds from sale of own shares by employee share option trust		192,539	92,813	124,706
Net cash used in financing activities		(1,836,950)	(257,153)	(1,282,106)
Net increase in cash and cash equivalents		1,486,630	1,951,249	3,907,909
Cash and cash equivalents at start of period		6,616,824	2,708,915	2,708,915
Cash and cash equivalents at end of period		8,103,454	4,660,164	6,616,824

Notes

1 Basis of accounting

As an AIM listed company, the Group is required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for accounting periods commencing on or after 1st January 2007. The Group's first complete set of annual financial statements under IFRS will be for the financial year ending 31st May 2008. As a result of the change in accounting policy, these interim financial statements have been prepared using policies that are consistent with IFRS and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

These interim financial statements are unaudited and do not comprise statutory financial information within the meaning of section 240 of the Companies Act 1985. The information for the year ended 31st May 2007 has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies, subject to amendments reflecting the changes in accounting standards from UK GAAP to IFRS. The report of the independent auditor on those financial statements contained no qualification or statement under s237(2) or (3) of the Companies Act 1985.

(a) Adoption of IFRS

Under the procedures set out in IFRS 1 – "First-time adoption of IFRS", the Group is required to establish its IFRS accounting policies as at 1st June 2007 and to apply these retrospectively to determine prior period comparatives from 1st June 2006, the date of transition to IFRS. The Group has taken advantage of two exemptions from this general principle. These are outlined below:

(i) Share-based Payments – IFRS 2

The Group has elected to apply IFRS 2 to all share-based awards and payments granted after 7th November 2002 but which had not vested at 1st June 2006.

(ii) Business Combinations – IFRS 3

The Group has not applied IFRS 3 retrospectively to business combinations that occurred prior to the date of transition to IFRS.

As the transition date to IFRS was 1st June 2006, financial information for the half year financial period ended 30th November 2006 and that of the financial year ended 31st May 2007 has been re-stated to comply with the new standards. The impact of IFRS on the Group's opening balance sheet at 1st June 2006 has been shown by re-stating the Group's equity on that date. The principal impacts of the adoption of IFRS on the comparative results are set out in Note 6.

Notes

Continued

1 Basis of accounting continued

(b) Accounting policies

The significant accounting policies under IFRS that are relevant to the financial statements of the Group are outlined below:

(i) Goodwill

Under IFRS 3 "Business Combinations", goodwill is no longer amortised but is instead tested annually for impairment. In accordance with the transitional provisions of IFRS 1 the Group has not applied IFRS 3 Business Combinations retrospectively to business combinations that occurred before 1st June 2006.

Goodwill of £25,023 arising on the acquisition of the subsidiary undertakings, being the excess of cost over the fair value of the net tangible assets acquired, was written off directly to reserves in the year of acquisition for those acquisitions prior to 23rd December 1998.

Any subsequent goodwill will be measured at cost less any accumulated impairment losses.

(ii) Financial instruments

Under IAS 39, "Financial Instruments: Recognition and Measurement", financial instruments must be classified as either:

- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets
- A financial asset or liability at fair value through profit or loss

The Group has identified those assets that need to be re-classified under the new standards and these are outlined below:

The Group's investments in the funds that it manages are designated as available-for-sale financial assets. Such investments are initially recognised at fair value, being the consideration given together with any acquisition costs associated with the investment. They are subsequently carried at fair value, with any gains or losses arising from changes in fair value being recognised in equity. Fair value is determined using the price based on the net asset value of the fund. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred all risks and rewards of ownership. When derecognition occurs a realised gain or loss is recognised in the income statement, calculated as the difference between the net sales proceeds and the original cost of the financial asset. Any fair value gains or losses previously recognised directly in equity are recycled into the income statement as part of this calculation of the gain or loss arising on derecognition.

1 Basis of accounting continued

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of an investment classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement, which if subsequently reversed, are taken through reserves and not the income statement.

The Group's investments in options are classified as financial assets at fair value through profit or loss. Such investments are accounted for in the same way as available-for-sale assets but any gains or losses arising from changes in fair value are recognised in the income statement. Fair value is determined using the quoted market bid price.

The only exception is where the Group holds an investment in options on unquoted equity instruments, whose fair value cannot be reliably measured. Such investments are measured at cost less impairment.

The Group's investments have been classified here for recognition and measurement purposes under IAS39 but are not necessarily reported in the balance sheet under those headings.

The Group's investments are reported in the balance sheet as follows:

	30th Nov 2007 £	30th Nov 2006 £	31st May 2007 £
Non-current assets			
Other financial assets:			
Investment in funds	12,887	6,483	6,737
Investment in unquoted options	36,440	40,122	40,122
	49,327	46,605	46,859
Current assets			
Available-for-sale financial assets:			
Investment in funds	2,221,397	2,033,316	2,231,989
Other financial assets:			
Investment in quoted options	163,677	–	59,665

1 Basis of accounting continued

Where the Group has invested in Delaware Statutory Trust funds there is a requirement to nominate a tax partner and as Investment Manager, the Group has adopted this role which requires that a nominal investment be held in each fund for the life of the fund. Therefore, such nominal investments are reported as other financial assets under non-current assets.

Where the Group has used its own cash to seed new funds, the investment is generally held until the fund's performance is established. Such investments are reported as available-for-sale financial assets under current assets.

(iii) Trade receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently carried at the lower of original fair value and their recoverable amount. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(iv) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand, deposits with an original maturity of six months or less, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(v) Trade payables
Trade payables are measured at initial recognition at fair value and subsequently measured at amortised cost.

(vi) Share-based payments
Equity-settled share-based payments are measured at fair value at the date of grant. The fair value at the grant date of the equity-settled share-based instrument is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest.

(vii) Foreign currency translation
Foreign currency transactions are translated using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of period-end monetary assets and liabilities are recognised in the income statement.

1 Basis of accounting continued

(viii) Deferred taxation

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. However, deferred tax is not accounted for if it arises from goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes
Continued

2 Analysis of revenue, operating profit and net assets

The directors consider that the group only undertakes one class of business, and hence only analysis by geographical location is given.

	Six months ended 30th Nov 2007 (unaudited) £	Six months ended 30th Nov 2006 (as restated) (unaudited) £	Year ended 31st May 2007 (as restated) (unaudited) £
Turnover			
Europe	**1,200,495**	448,245	1,426,195
North America	**10,681,834**	7,667,009	16,484,085
Other	**248,993**	182,855	394,601
	12,131,322	8,298,109	18,304,881
Operating profit			
Europe	**559,013**	268,213	601,146
North America	**4,082,231**	2,665,396	6,301,978
Other	**116,489**	86,159	186,587
	4,757,733	3,019,768	7,089,711
Net assets			
Europe	**8,550,247**	4,611,037	6,586,928
North America	**1,673,448**	1,735,036	1,811,674
Other	**29,999**	28,998	26,430
	10,253,694	6,375,071	8,425,032

3 Earnings per share

The calculation of earnings per share is based on the profit for the period of £3,560,583 (31st May 2007 restated – £4,895,942; 30th November 2006 restated – £2,093,443) divided by the weighted average of ordinary shares in issue for the six months ended 30th November 2007 of 24,553,437 (31st May 2007 – 24,432,528; 30th November 2006 – 24,385,294).

As set out in note 4 the Employee Benefit Trust held 1,968,085 ordinary shares in the company as at 30th November 2007. The Trustees of the Trust have waived all rights to dividends associated with these shares. In accordance with IAS33 "Earnings per share", the ordinary shares held by the Employee Benefit Trust have been excluded from the calculation of the weighted average of ordinary shares in issue.

The calculation of diluted earnings per share is based on the profit for the period of £3,560,583 (31st May 2007 restated – £4,895,942; 30th November 2006 restated – £2,093,443) divided by the diluted weighted average of ordinary shares in issue for the six months ended 30th November 2007 of 27,853,801 (31st May 2007 – 27,823,144; 30th November 2006 – 27,591,992).

4 Investment in own shares

Investment in own shares relates to City of London Investment Group Plc shares held by an Employee Benefit Trust on behalf of City of London Investment Group Plc.

At 30th November 2007 the Trust held 1,968,085 ordinary 1p shares (31st May 2007 – 2,303,125; 30th November 2006 – 2,249,000), of which 1,857,310 ordinary 1p shares (31st May 2007 – 2,297,675; 30th November 2006 – 2,084,550) were subject to options in issue.

In total, the company has granted options over 4,357,310 ordinary shares at exercise prices from £0.26 to £2.73. These options have a range of exercise dates from September 2001 to March 2017.

5 Dividends

The final dividend of 7p per share in respect of the year ended 31st May 2007 was paid on 15th November 2007.

The interim dividend of 6p per share (2007 – 3p) will be paid on 3rd March to members registered at the close of business on 15th February 2008.

Notes
Continued

6 IFRS transition

The transition date from UK GAAP to IFRS was 1st June 2006.

(a) Reconciliation from UK GAAP to IFRS

The tables below reconcile total shareholders' funds at 1st June 2006, 30th November 2006 and 31st May 2007 under UK GAAP to total equity under IFRS, and the profit after taxation for the six months ended 30th November 2006 and the year ended 31st May 2007 from UK GAAP to IFRS.

Reconciliation of shareholders' funds under UK GAAP to shareholders' equity under IFRS

	1st June 2006 £	30th Nov 2006 £	31st May 2007 £
UK GAAP – Shareholders' funds	4,331,813	6,434,570	8,559,508
IFRS transition adjustments:			
IAS12 – Deferred tax on share options	31,898	48,895	69,254
IAS12 – Deferred tax on revaluation reserve	(40,352)	(108,394)	(196,059)
IAS 39 – Fair value of investments	–	–	(7,671)
IFRS – Total equity	4,323,359	6,375,071	8,425,032

Reconciliation of profit after taxation under UK GAAP to profit after taxation under IFRS

	Six months ended 30th Nov 2006 £	Year ended 31st May 2007 £
UK GAAP – Profit on ordinary activities after taxation	2,076,446	4,873,958
IFRS transition adjustments:		
IAS12 – Deferred tax on share options	16,997	37,356
IAS 39 – Fair value of investments	–	(15,372)
IFRS – Profit for the period	2,093,443	4,895,942

7 General

The interim financial statements for the six months to 30th November 2007 were approved by the Board on 24th January 2008. These financial statements are unaudited, but they have been reviewed by the auditors, having regard to the bulletin "Review of Interim Financial Information" issued by the Auditing Practices Board.

Copies of this statement are available on our website.

Independent review report to City of London Investment Group plc

Introduction

We have been instructed by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30th November 2007 set out on pages 7 to 18. 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, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The AIM Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This is the first accounting period for which the company is required to prepare financial information using policies that are consistent with IFRS. This half-yearly financial report has been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting".

The maintenance and integrity of the company's website is the responsibility of the directors; the work we have carried out does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the condensed set of financial statements presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30th November 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Moore Stephens LLP
Registered Auditors and Chartered Accountants
St Paul's House, Warwick Lane, London EC4M 7BP
24th January 2008

Shareholder information

Registered office
10 Eastcheap
London
EC3M 1LX

Nominated advisers and brokers
Landsbanki
Beaufort House
15 St Botolph Street
London
EC3A 7QR

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

Auditors
Moore Stephens LLP
Chartered Accountants
St. Paul's House
Warwick Lane
London
EC4M 7BP

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Financial communications
Tavistock Communications
13 Finsbury Pavement
London
EC2A 1NT

Designed and produced by **fourth**quarter Printed by **SV.two**

London office
10 Eastcheap
London
EC3M 1LX
United Kingdom

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

US office
The Barn
1125 Airport Road
Coatesville
PA 19320
United States

Telephone: + 1 610 380 2110
Facsimile: + 1 610 380 2116

Singapore office
20 Collyer Quay
10-04 Tung Centre
Singapore 049319

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

Dubai office
18th Floor
Burjuman Tower
PO Box 43659
Dubai
United Arab Emirates

Telephone: + 971 4 509 6828
Facsimile: + 971 4 509 6794

www.citlon.co.uk