

HENDERSON INVESTMENT FUNDS LIMITED

THE CITY OF LONDON INVESTMENT TRUST PLC

2 October 2015

THE CITY OF LONDON INVESTMENT TRUST PLC

Annual Report for the year ended 30 June 2015

The Annual Report for the year ended 30 June 2015 has been sent to shareholders, together with the Notice of Annual General Meeting.

Copies of the Annual Report and the Notice of Annual General Meeting have been submitted to NZX Limited and are also available for inspection on the Company's website: www.cityinvestmenttrust.com

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

For further information please contact:

Rachel Peat

For and on behalf of Henderson Secretarial Services Limited
Corporate Secretary to The City of London Investment Trust plc
Tel: 020 7818 6125

James de Sausmarez

Director and Head of Investment Trusts
Henderson Global Investors
Tel: 020 7818 3349

The City of London Investment Trust plc
Notice of 2015 Annual General Meeting

Letter from the Chairman

Dear Shareholders, First Preference and Preferred Ordinary Stockholders

I hope that you will be able to attend this year's Annual General Meeting of the Company ("AGM" or "Meeting"), which is to be held at 2.30 pm on Friday 23 October 2015 at 201 Bishopsgate, London EC2M 3AE (the offices of Henderson Global Investors).

The Notice of Meeting can be found on pages 1 and 2. A map showing the venue for the Meeting and an explanation of each of the resolutions to be proposed at the Meeting are set out on pages 3 to 5. I also refer you to the Company's Annual Report for the year ended 30 June 2015 ("the Annual Report"), which is being sent with this document.

Our Fund Manager, Job Curtis, will give a presentation at the AGM and there will be opportunities to ask questions during and after the Meeting. I hope that you are able to attend the AGM and, if not, that you vote by completing and returning your form of proxy. For the first time, this year the meeting will be broadcast on the internet so if you are unable to attend in person you can watch the meeting by visiting: www.henderson.com/trustslive.

The Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company's Shareholders as a whole. The Board therefore recommends unanimously to Shareholders that they vote in favour of each of the resolutions, as the Directors intend to do in respect of their own beneficial holdings.

Yours faithfully

Philip Remnant CBE

Chairman

17 September 2015

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you should consult your stockbroker, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the UK, or if not from another appropriately independent professional adviser in your own jurisdiction.

If you have sold, transferred or otherwise disposed of all your shares in The City of London Investment Trust plc (the "Company"), please pass this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom you made the sale, transfer or disposal for transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction under any circumstances where to do so might constitute a violation of local securities laws and regulations. If you have sold or transferred or otherwise disposed of only part of your holding, you should retain this document and the accompanying form of proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

The City of London Investment Trust plc

(an investment company within the meaning of section 833 of the Companies Act 2006,
incorporated in England and Wales with registered number 34871)

Notice of Annual General Meeting

Notice is hereby given that the 123rd Annual General Meeting of The City of London Investment Trust plc will be held at 201 Bishopsgate, London EC2M 3AE on **Friday 23 October 2015 at 2.30 pm** for the transaction of the following business:

Ordinary Resolutions

- 1 To receive the Annual Report and the audited financial statements for the year ended 30 June 2015.
- 2 To approve the Directors' Remuneration Report for the year ended 30 June 2015.
- 3 To re-elect Mr Philip Remnant as a Director of the Company.
- 4 To re-elect Mr David Brief as a Director of the Company.
- 5 To re-elect Mr Simon Barratt as a Director of the Company.
- 6 To re-elect Mr Richard Hextall as a Director of the Company.
- 7 To re-elect Mr Martin Morgan as a Director of the Company.
- 8 To elect Mrs Samantha Wren as a Director of the Company.
- 9 To re-appoint PricewaterhouseCoopers LLP as statutory Auditor to the Company.
- 10 To authorise the Audit Committee to determine the Auditor's remuneration.

TO consider, and if thought fit, pass the following resolutions:

- 11 THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551) and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to an aggregate nominal amount of £7,912,121 (or such other amount as shall be equivalent to 10% of the issued ordinary share capital at the date of passing of the Resolution) for a period expiring (unless previously renewed, varied or revoked by the Company in General Meeting) on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2016, but that the Directors may make an offer or agreement which would or might require relevant securities to be allotted or Rights to be granted after expiry of this authority and the Directors may allot relevant securities and grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and all unexercised authorised authorities previously granted to the Directors to allot shares and grant Rights be and are hereby revoked.

Special Resolutions

- 12 THAT in substitution for all existing authorities and subject to the passing of Resolution 11 the Directors be empowered pursuant to section 571 and/or section 573 of the Companies Act 2006 ("the Act") to allot equity securities or make offers or agreements to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 as if section 561 of the Act did not apply to the allotment and to sell relevant shares (within the meaning of section 560 of the Act) held by the Company immediately before the sale as treasury shares (as defined in section 724 of the Act) for cash as if section 561 of the Act did not apply to any such sale.

This power is limited to:

- (a) the allotment of equity securities whether by way of a rights issue, open offer or otherwise to ordinary Shareholders and/or holders of any other securities in accordance with the rights of those securities where the equity securities respectively attributable to the interests of all ordinary Shareholders and/or such holders are proportionate (or as nearly as may be) to the respective numbers of ordinary shares and such equity securities held by them (or are otherwise allotted in accordance with the rights attaching to such equity securities) subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever;
- (b) the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to a maximum aggregate nominal value of £7,912,121 (or, such other amount as shall be equivalent to 10% of the issued share capital at the date of passing of the Resolution); and
- (c) the allotment of equity securities at a price not less than the net asset value per share;

and shall expire at the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2016, save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

- 13 THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25p each in the capital of the Company, on such

Notice of Annual General Meeting

continued

terms and in such manner as the Directors may from time to time determine, provided that:

- (a) the maximum number of ordinary shares which may be purchased is 14.99% of the Company's issued ordinary share capital at the date of the Annual General Meeting (equivalent to 47,441,081 ordinary shares as at 15 September 2015, being the last practicable date prior to publication of this Notice;
- (b) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed the higher of:
 - (i) 105% of the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
 - (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
- (c) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 25p, being the nominal value per share;
- (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2016, or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed before that expiry;
- (e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract; and
- (f) any ordinary shares so purchased shall be:
 - (i) cancelled immediately upon completion of the purchase; or
 - (ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 2006.
- (c) the maximum price (exclusive of expenses) which may be paid for each £1 of capital of Preferred Stock is an amount equal to 110% of the prevailing middle market quotation for £1 of capital of the relevant Preferred Stock taken from the London Stock Exchange Daily Official List for the business day immediately preceding the day on which such stock is purchased;
- (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2016; and
- (e) the Company may make a contract to purchase any class of Preferred Stock under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Preferred Stock pursuant to any such contract.

15 THAT a General Meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice, such authority to expire at the conclusion of the Annual General Meeting of the Company in 2016.

By order of the Board

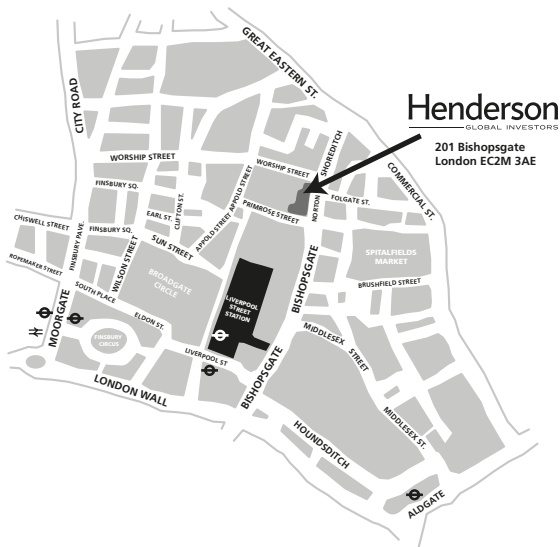
Henderson Secretarial Services Limited, Corporate Secretary
17 September 2015

Registered Office:
201 Bishopsgate, London EC2M 3AE

14 THAT the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of the Company's 4.2% cumulative first preference stock ("the First Preference Stock"), 4.2% non-cumulative second preference stock ("the Second Preference Stock") and 14% non-cumulative preferred ordinary stock ("the Preferred Ordinary Stock") (together "the Preferred Stock"), provided that:

- (a) the maximum amount of Preferred Stock hereby authorised to be purchased is the entire issued capital amount of each such class of Preferred Stock as at the date of this resolution, being:
 - (i) £301,982 of First Preference Stock;
 - (ii) £507,202 of Second Preference Stock; and
 - (iii) £589,672 of Preferred Ordinary Stock;
- (b) the minimum price (exclusive of expenses) which may be paid for each £1 of capital of Preferred Stock is 1p;

Annual General Meeting Venue



Henderson Global Investors is located in the City of London at 201 Bishopsgate. It is a few minutes walk from Liverpool Street station.

Explanations of the Resolutions

Resolutions 1 to 11 are proposed as ordinary resolutions.

This means that for each of those resolutions to be passed more than half of the votes cast must be in favour of the resolution.

Resolutions 12 to 15 are proposed as special resolutions. This means that for each of those resolutions to be passed at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1: Annual Report and audited financial statements (ordinary resolution)

The Directors are required to present to the Meeting the Annual Report and audited financial statements, including the Strategic Report, Report of Directors', Independent Auditor's Report and the Directors' Remuneration Report for the financial year to 30 June 2015. Members will be given an opportunity to ask questions at the Meeting before being invited to receive the Annual Report.

Resolution 2: Directors' Remuneration Report (ordinary resolution)

Shareholders are required to approve the Directors' Remuneration Report for the year ended 30 June 2015, which is set out on pages 26 and 27 of the Annual Report. The vote is advisory and does not affect the remuneration payable to any individual Director.

Resolutions 3 to 8: Re-election and election of Directors (ordinary resolutions)

Under the terms of the UK Corporate Governance Code, all Directors of FTSE 350 companies are required to retire and seek re-election annually.

At its meeting in July 2015, the Nominations Committee reviewed the performance, contribution and commitment of the members of the Board and concluded that each of the Directors continues to bring extensive current and relevant business experience that allows them to contribute effectively to the leadership of the Company, both in terms of performance and commitment.

Resolution 3 is for the re-election of Philip Remnant CBE, who joined the Board on 1 January 2011 and has been Chairman since October 2011. Mr Remnant has a strong investment banking and corporate finance background.

Resolution 4 relates to the re-election of David Brief, who joined the Board at the beginning of 2009. Mr Brief has many years of experience in investment management.

Resolution 5 relates to the re-election of Simon Barratt, who joined the Board in October 2010. Mr Barratt is General Counsel and Company Secretary at Whitbread plc.

Resolution 6 relates to the re-election of Richard Hextall, who has been on the Board since 2007 and has been the Audit Committee Chairman since April 2011. Mr Hextall is a Chartered Accountant and has been the Group Finance Director of Amlyn plc since 1999.

Explanations of the Resolutions

continued

Resolution 7 is for the re-election of Martin Morgan, who joined the Board on 1 March 2012. Mr Morgan is Chief Executive of Daily Mail and General Trust plc and brings a wealth of corporate sector experience to the Board.

Resolution 8 is for the election of Samantha Wren, who was appointed a Director on 1 September 2015 and stands for election in accordance with the Company's Articles of Association: Mrs Wren is Chief Executive Officer of ICAP plc and is a Chartered Management Accountant.

The Nominations Committee is pleased to recommend all Directors for re-election and election to the Board.

A more detailed biography on each of the Directors is given on page 16 of the Annual Report.

Resolutions 9 and 10: Re-appointment and remuneration of the Auditor (ordinary resolutions)

In accordance with sections 489 and 492 of the Companies Act 2006, Shareholders are required to approve the appointment of the Company's Auditor, PricewaterhouseCoopers LLP. In accordance with the provisions of the Statutory Audit Services for Large Companies market investigation (mandatory use of Competitive Tender Processes and Audit Committee Responsibilities) 2014, Audit Committees are authorised to determine the Auditor's remuneration. PricewaterhouseCoopers LLP has expressed its willingness to continue as Auditor to the Company.

Resolution 11: Authority to allot shares (ordinary resolution)

On 27 October 2014 the Directors were granted authority to issue up to 29,370,984 new ordinary shares having a nominal value of £7,342,746. Since the AGM in October 2014, a total of 22,775,000 shares have been issued under that authority to 15 September 2015, being the last practicable date prior to publication of this notice. The Directors have remaining authority to issue a further 6,595,984 shares; the authority will expire at the 2015 AGM.

Resolution 11 will renew this authority and will allow the Directors to issue up to 31,648,486 new ordinary shares (with a nominal value of £7,912,121) (or such other amount as shall be equivalent to 10% of the issued ordinary share capital of the date of passing the resolution). The resolution is set out in full in the Notice on page 1. If renewed, the authority will expire at the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the AGM in 2016.

Resolution 12: Power to disapply pre-emption rights (special resolution)

On 27 October 2014, the Directors were empowered to disapply the pre-emption rights of the existing Shareholders when issuing new shares. The Directors have disappplied pre-emption rights in respect of the 29,370,984 new shares that have been issued since the 2014 AGM, and may disapply pre-emption rights in respect of any further new shares issued up to the 2015 AGM, when the current power will expire.

Resolution 12 will give the Directors power to disapply pre-emption rights in respect of any new ordinary shares issued under Resolution 11. The Resolution is set out in full in the Notice on page 1. If renewed, the authority will expire at the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the AGM in 2016.

The Directors may issue shares pursuant to resolutions 11 and 12 to take advantage of opportunities in the market as they arise and if they believe it to be advantageous to the Company's existing Shareholders to do so and when it would not result in any dilution of net asset value per share (ie shares will only be issued at a premium to net asset value, with the net asset value calculated with debt at fair value).

Resolution 13: Repurchase of the Company's ordinary shares (special resolution)

On 27 October 2014 the Directors were granted authority to repurchase 43,386,286 ordinary shares (with a nominal value of £10,846,571). The Directors have not used this authority and therefore still have authority to repurchase 43,386,286 shares, which will expire at the conclusion of the 2016 AGM.

Resolution 13 will renew the Company's authority to buy back shares. The authority under this resolution is limited to the purchase of a maximum of 14.99% of the ordinary shares in issue at the date of the AGM, equal to 47,441,081 ordinary shares at the date of this Notice.

The minimum price which may be paid for an ordinary share is 25p, being the nominal value per share. In accordance with the Listing Rules of the UK Listing Authority, the maximum price which may be paid for an ordinary share is the higher of:

- (i) 105% of the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
- (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

Both the minimum and maximum price are exclusive of any relevant tax and expenses payable by the Company.

The Directors believe that, from time to time and subject to market conditions, it will continue to be in the Shareholders' interests to buy back the Company's shares when they are trading at a discount to the underlying net asset value per share.

The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to Shareholders. This proposal does not indicate that the Company will purchase shares at any particular time or price, nor imply any opinion on the part of the Directors as to the market or other value of the Company's shares.

The Company may cancel or hold in treasury any shares bought back under this authority. The authority granted under Resolution 13 will expire at the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the 2016 AGM and it is the present intention of the Directors to seek a similar authority annually.

Explanations of the Resolutions

continued

Resolution 14: Repurchase of the Company's Preferred Stock (special resolution)

The Company has in issue 4.2% cumulative first preference stock ("First Preference Stock"), 4.2% non-cumulative second preference stock ("Second Preference Stock) and 14% non-cumulative preferred ordinary stock ("Preferred Ordinary Stock") (together the "Preferred Stock").

On 27 October 2014 the Directors were granted authority to repurchase for cancellation up to the entire issued capital amount of each class of Preferred Stock. At the date of this Notice, no repurchases have been made of any of the Preferred Stock and the Company therefore still has authority to repurchase up to £301,982 of First Preference Stock; £507,202 of Second Preference Stock and £589,672 of Preferred Ordinary Stock.

The Board considers that the Company should continue to have the power to make market purchases of its Preferred Stock in the event that appropriate opportunities to make such purchases arise. Accordingly, a resolution will be proposed at the forthcoming AGM to authorise the Company to make market purchases for cancellation of the Preferred Stock, up to the entire issued capital amount of each class in issue. The maximum price that can be paid for each £1 of Preferred Stock is not more than 10% above the average middle market value of the relevant class of Preferred Stock over the preceding five business days; and the minimum price per £1 of stock is 1p.

The Directors will only use the authority if to do so will result in an increase in the net asset value per ordinary share and will be in the best interests of Shareholders generally.

This authority will expire at the conclusion of the 2016 AGM or within 15 months from the date of the passing of this resolution (whichever is earlier) and it is the present intention of the Directors to seek a similar authority each year.

Resolution 15: Notice of General Meetings (special resolution)

Under the Companies Act 2006 the notice period for General Meetings (other than the AGM) is 21 days unless approval to give only 14 days' notice has been given by Shareholders. At the 2014 AGM Shareholders approved the resolution to allow General Meetings (other than the AGM) to be called on 14 days' notice. That approval expires at the conclusion of the 2015 AGM.

In order to maintain maximum flexibility in communicating with Shareholders, the Board is seeking to renew this authority at the 2015 AGM so that General Meetings (other than the AGM) may be called on the shortest permissible notice. This authority will only be used if to do so will be in the best interests of Shareholders. The Company will only be able to take advantage of this authority if all Shareholders are given the opportunity (but not the obligation) to vote at such a General Meeting by electronic means. This authority will expire at the conclusion of the 2016 AGM.

Notes to the Notice of Annual General Meeting

1. Voting record date

Only members registered in the Registers of Members of the Company at close of business on Wednesday 21 October 2015 (the "voting record date") shall be entitled to attend, speak and vote at the AGM in respect of the number of voting rights registered in their name at that time. Changes to entries on the Registers of Members after the voting record date shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

If the AGM is adjourned for no more than 48 hours after the original time, the same voting record date will also apply for the purpose of determining the entitlement of members to attend, speak and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If the AGM is adjourned for more than 48 hours then the voting record date will be close of business on the day which is two days (excluding non-working days) before the day of the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

In the case of joint holders of a voting right, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Registers of Members in respect of the joint holding.

2. Right to attend and vote

The rights of members to attend and vote at the forthcoming AGM or at any adjournment(s) thereof are as follows:

- (a) Holders of **Ordinary Shares** are entitled to attend, speak and vote on a poll or on a show of hands. On a poll, holders of Ordinary Shares have one vote for every 15 shares;
- (b) Holders of **First Preference Stock** are entitled to attend, speak and vote on a poll or on a show of hands. On a poll, holders of First Preference Stock have one vote for every £10 of stock held; and
- (c) Holders of **Preferred Ordinary Stock** are entitled to attend, speak and vote on a poll or on a show of hands. On a poll, holders of Preferred Ordinary Stock have one vote for every £20 of stock held.

3. Holders of Second Preference Stock and Debenture Stock

This notice is sent for information only to holders of the **Second Preference Stock** and the **Debenture Stock** who are not entitled to attend or vote at the Meeting.

4. Right to appoint proxies

Pursuant to section 324 of the Companies Act 2006 ("the Act"), a member entitled to attend, speak and vote at the Meeting may appoint one or more proxies, provided that each proxy is appointed to exercise the rights attached to different shares held by him. A proxy need not be a member of the Company.

The return of the enclosed form of proxy or a CREST proxy instruction will not preclude a member from attending and voting in person at the Meeting.

If the total number of voting rights that the Chairman will be able to vote (taking into account any proxy appointments from Shareholders over which he is given discretion and any voting rights in respect of his own shares) is such that he will have a notifiable obligation under the Disclosure and Transparency Rules of the UK Listing Authority, the Chairman will make the necessary notifications to the Company and to the Financial Conduct Authority. Therefore, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and to the Financial Conduct Authority. However, any member holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as proxy will need to ensure that both the member and the proxy comply with their respective disclosure obligations under the Disclosure and Transparency Rules.

Section 324 does not apply to persons nominated to receive information rights pursuant to section 146 of the Act. Persons nominated to receive information rights under section 146 of the Act have been sent this Notice and are hereby informed, in accordance with section 149(2) of the Act, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this Meeting. If they do not wish to exercise their right or do not have such right, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated (not the Company) in respect of their arrangements.

The rights of members relating to the appointment of proxies do not apply to nominated persons.

Notes to the Notice of Annual General Meeting

continued

5. Proxies' right to vote at the Meeting

On a vote by a show of hands, each proxy has one vote.

If a proxy is appointed by more than one member and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled on a show of hands to vote "for" or "against" as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may on a show of hands vote both "for" and "against" in order to reflect the different voting instructions.

On a poll, all or any of the voting rights of the member may be exercised by one or more duly appointed proxies. However, where a member appoints more than one proxy, section 285(4) of the Act does not permit the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

6. Voting by corporate representatives

Corporate representatives are entitled to attend, speak and vote on behalf of the corporate member in accordance with section 323 of the Act provided they do not do so in relation to the same shares.

7. Receipt and termination of proxies

To be valid the enclosed form of proxy must be received by the Company's Registrar (Computershare Investor Services PLC) before 2.30 pm on Wednesday 21 October 2015.

A member may terminate a proxy's authority at any time before the commencement of the Meeting. Termination must be provided in writing and submitted to the Company's Registrar.

In accordance with the Company's Articles of Association, in determining the deadline for receipt of proxies, no account shall be taken of any part of a day that is not a working day.

8. Communication with the Company

Members may not use any electronic address provided either in the Notice or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

9. Electronic receipt of proxies

To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number 3RA50) no later than the deadline specified in Note 7. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Instructions on how to vote through CREST can be found on the website www.euroclear.com/CREST

10. Questions at the Meeting

Any member attending the Meeting has the right to ask questions. Section 319A of the Act requires the Directors to answer any question raised at the AGM which relates to the business of the Meeting, although no answer need be given if to do so:

- (a) would interfere unduly with the proceedings of the Meeting or involve disclosure of confidential information; or
- (b) if the answer has already been given on the Company's website; or
- (c) if it is undesirable in the best interests of the Company or the good order of the Meeting that the question be answered.

Members satisfying the thresholds in section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with an Auditor of the Company ceasing to hold office since the last AGM, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website.

By attending the Meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the Meeting.

11. Documents available for inspection

Copies of the Directors' letters of appointment may be inspected at the registered office of the Company during normal business hours on any day (Saturdays, Sundays and public holidays excepted) and will be available at the AGM from 15 minutes prior to the commencement of the Meeting until its conclusion. No Director has a contract of service with the Company.

12. Website

A copy of this Notice, including the information required by section 311A of the Act, is available from the Company's website, www.cityinvestmenttrust.com

Notes to the Notice of Annual General Meeting

continued

13. Total voting rights

As at 15 September 2015 (being the last practicable date prior to the publication of this Notice) the Company's total voting rights comprised:

- (a) 316,484,868 Ordinary Shares, representing 21,098,991 votes;
- (b) £301,982 of First Preference Stock, representing 30,198 votes;
- (c) £589,672 of Preferred Ordinary Stock, representing 29,484 votes.

Therefore the total number of votes in the Company as at 15 September 2015 is 21,158,673.

14. Members' right to require circulation of resolution to be proposed at the AGM

Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 16 below, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting.

The conditions are that:

- (i) The resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise).
- (ii) The resolution must not be defamatory of any person, frivolous or vexatious.
- (iii) The request:
 - (a) may be in hard copy form or in electronic form (see note 17 below);
 - (b) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported;
 - (c) must be authenticated by the person or persons making it (see note 17 below); and
 - (d) must be received by the Company not later than 6 weeks before the AGM.
- (iv) In the case of a request made in hard copy form, such request must be:
 - (a) authenticated by signing, giving full name and address and providing evidence of the number of shares held; and
 - (b) sent to the Corporate Secretary, City of London Investment Trust plc, 201 Bishopsgate, London EC2M 3AE.

(v) In the case of a request made in electronic form, such request must be:

- (a) authenticated by signing and scanning a copy of the request, giving full name and address and providing evidence of the number of shares held; and
- (b) sent to itsecretariat@henderson.com.

15. Members' right to have a matter of business dealt with at the Meeting

Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 16 below, may, subject to conditions, require the Company to include in the business to be dealt with at the AGM a matter (other than a proposed resolution) which may properly be included in the business (a matter of business).

The conditions are that:

- (i) The matter of business must not be defamatory of any person, frivolous or vexatious.
- (ii) The request:
 - (a) may be in hard copy form or in electronic form (see note 17 below);
 - (b) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported;
 - (c) must be accompanied by a statement setting out the grounds for the request;
 - (d) must be authenticated by the person or persons making it (see note 17 below); and
 - (e) must be received by the Company not later than 6 weeks before the AGM.

16. Members' qualification criteria

In order to be able to exercise the members' right to require:

- (a) circulation of a resolution to be proposed at the AGM (see note 14);
- (b) a matter of business to be dealt with at the AGM (see note 15); or

the relevant request must be made by:

- (c) a member or members having a right to vote at the AGM and holding at least 5% of total voting rights of the Company; or
- (d) at least 100 members have a right to vote at the AGM and holding, on average, at least £100 of paid up share capital.

Notes to the Notice of Annual General Meeting

continued

For information on voting rights, including the total number of voting rights, see notes 2 and 13 above.

17. Submission of hard copy and electronic requests and authentication requirements

Where a member or members wishes to request the Company to:

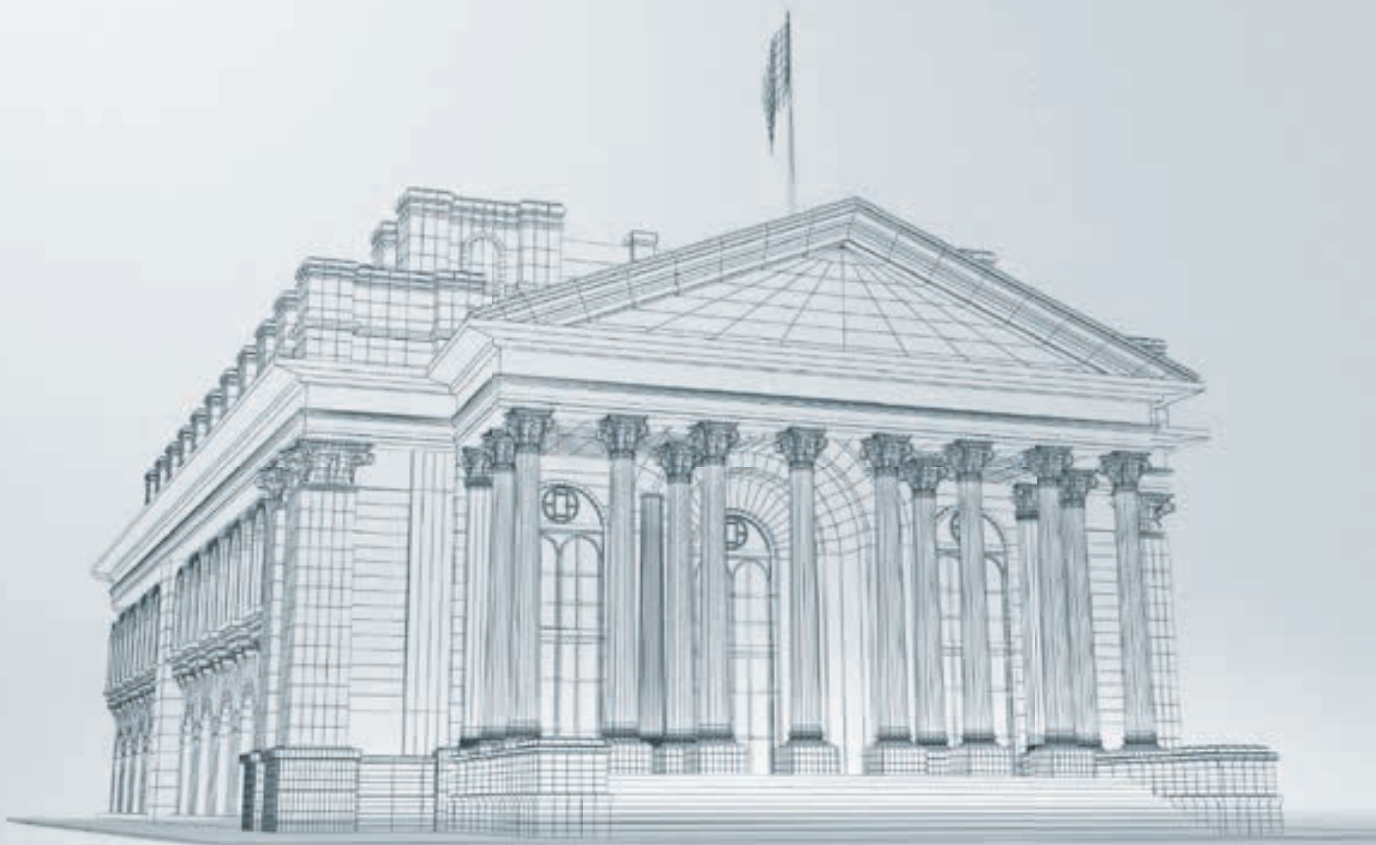
- (a) circulate a resolution to be proposed at the AGM (see note 14); or
- (b) include a matter of business to be dealt with at the AGM (see note 15);

such request must be made in accordance with one of the following ways:

- (c) A hard copy request which is signed by you, states your full name and address, and provides evidence of the number of shares held is sent to the Corporate Secretary, City of London Investment Trust plc, at 201 Bishopsgate, London EC2M 3AE.
- (d) A request which is signed by you, states your full name and address and provides evidence of the number of shares held is faxed to 020 7818 1818 marked for the attention of the Corporate Secretary, City of London Investment Trust plc or Investment Trust Secretariat.
- (e) A scanned copy of a request which is signed by you, states your full name and address, and evidence of the number of shares held; is sent to itsecretariat@henderson.com. Please state "AGM" in the subject line of the e-mail.

THE CITY OF LONDON INVESTMENT TRUST PLC

Annual Report 2015



MANAGED BY

Henderson
GLOBAL INVESTORS

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Strategic Report

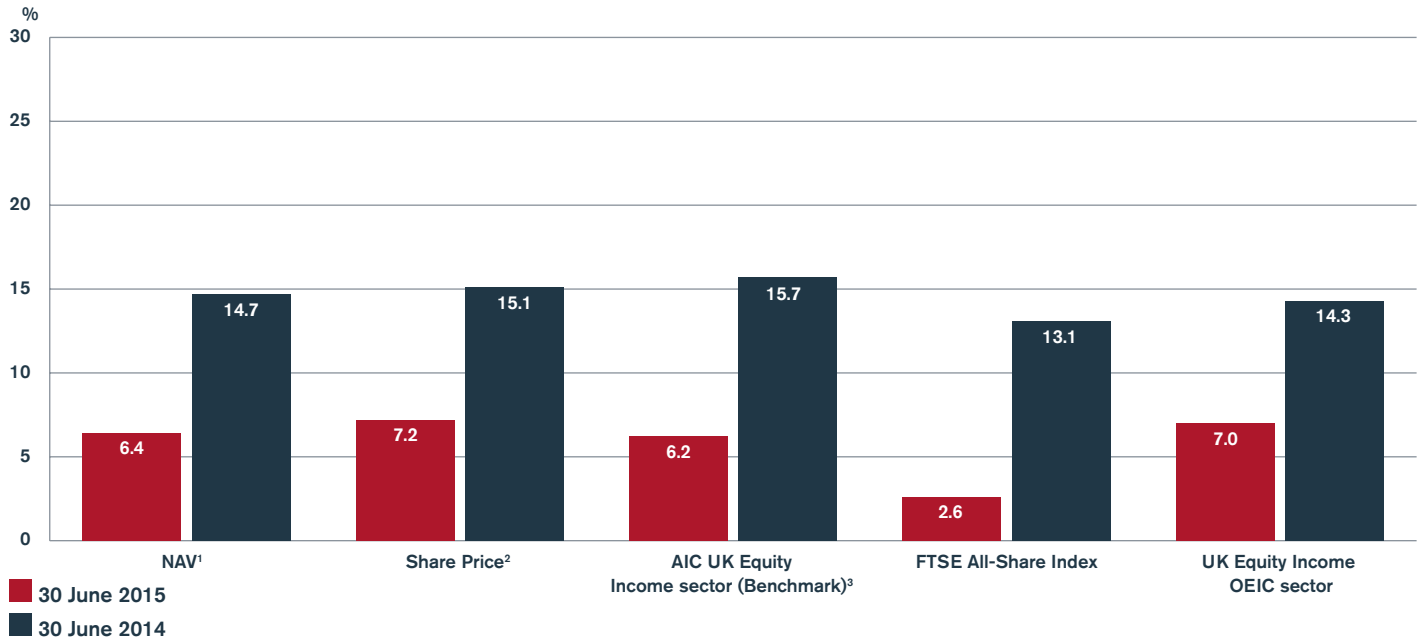
“I am confident that City of London’s strategy, which is focussed on providing long term growth in income and capital, will continue to enhance shareholder value over the longer term. This year has been one of steady progress and our dividend was increased for the 49th consecutive year.”

Philip Remnant CBE, Chairman

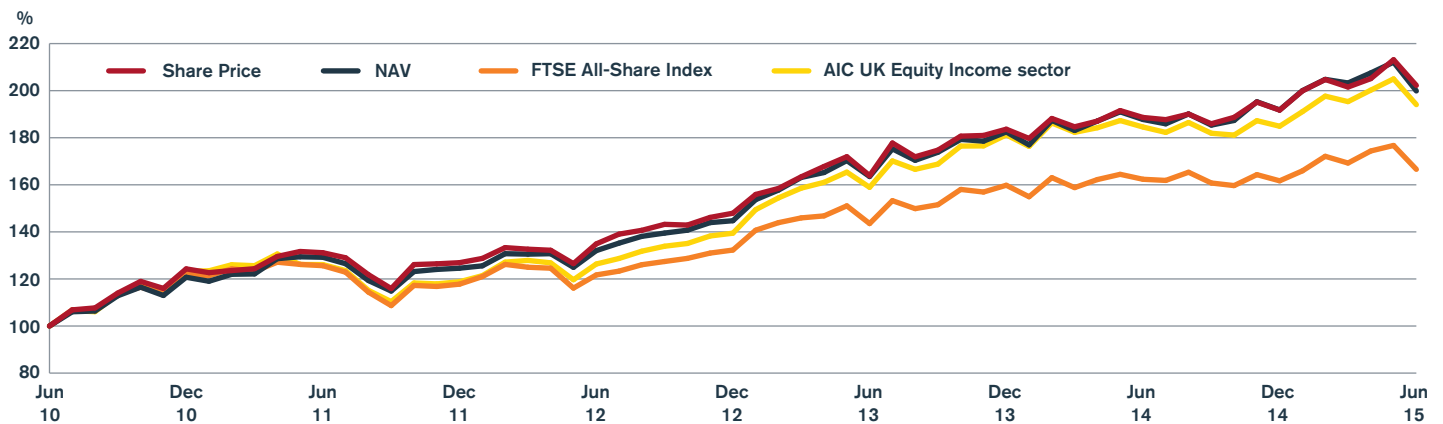


Strategic Report: Performance Highlights

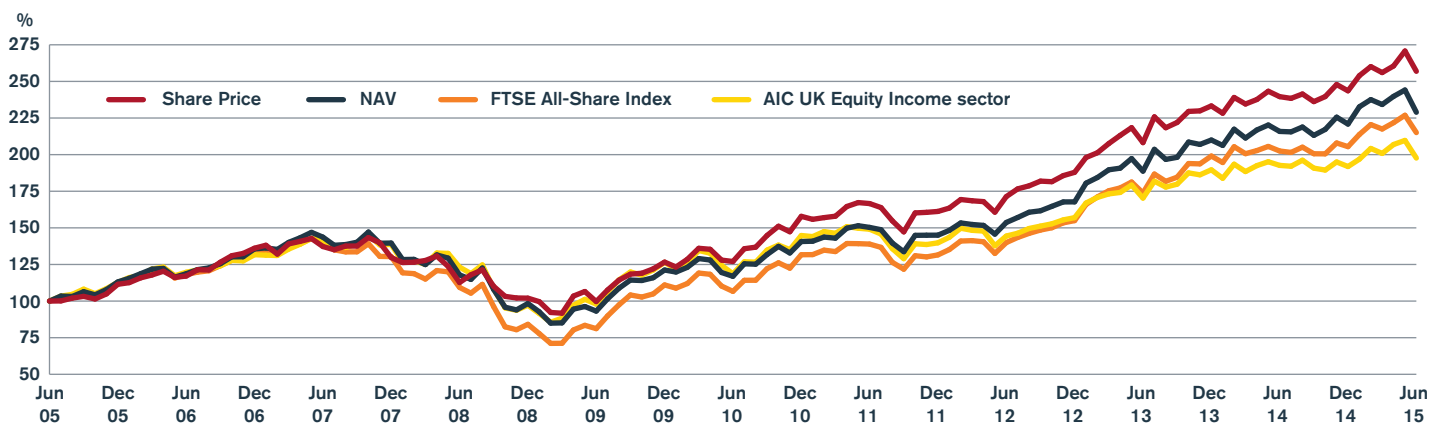
Total Return Performance for year to 30 June



Total Return Performance over the last five years (rebased to 100)



Total Return Performance over the last ten years (rebased to 100)



Strategic Report: Performance Highlights (continued)

NAV per share

2015 **386.3p** 2014 **377.5p**

Share Price

2015 **392.5p** 2014 **380.8p**

Earnings per share

2015 **16.8p** 2014 **15.3p**

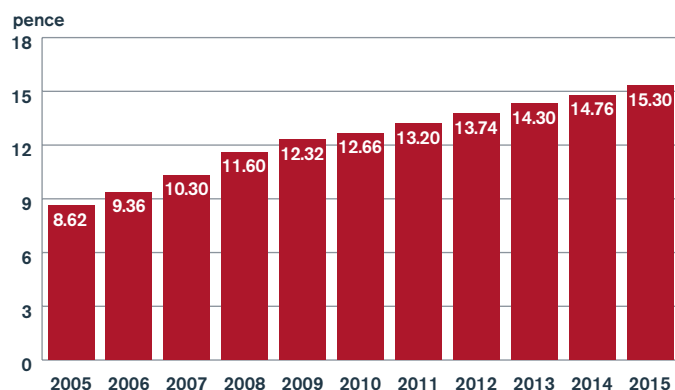
Revenue Reserve per share

2015 **12.5p** 2014 **11.6p**

Premium

2015 **1.6%** 2014 **0.9%**

Historical Dividend



NAV per share (debt at market value)

2015 **382.7p** 2014 **373.7p**

Gearing at year end

2015 **6.0%** 2014 **7.1%**

Dividends per share

2015 **15.3p** 2014 **14.8p**

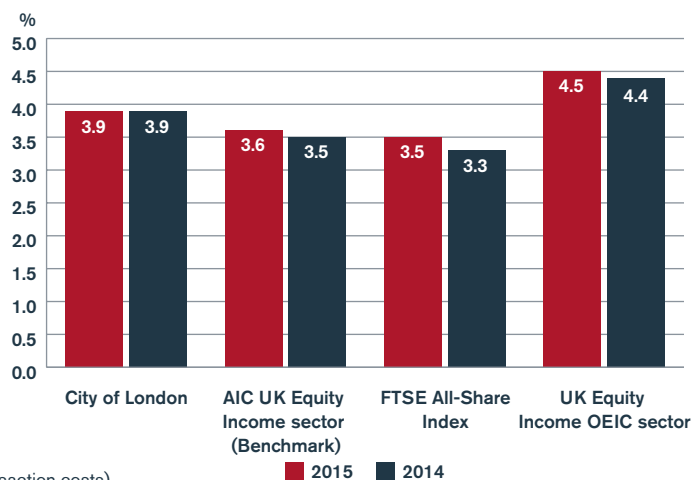
Ongoing Charge for the year

2015 **0.42%** 2014 **0.43%**

Premium (debt at market value)

2015 **2.6%** 2014 **1.9%**

Dividend Yields



1 Net asset value per share total return (including dividends reinvested and excluding transaction costs)

2 Share price total return using mid-market closing price

3 AIC UK Equity Income sector size weighted average NAV total return (shareholders' funds)

Sources: Morningstar for the AIC, Henderson, Datastream

A glossary of terms is included on pages 20 and 21

Strategic Report: Business Model

Strategy

The strategy of the Company is to pursue its investment objective by operating as an investment trust company. The investment trust company structure allows the shareholders, whether institutions or private investors, to access a diversified portfolio of investments that is professionally managed. The principal activity remained unchanged throughout the year ended 30 June 2015.

Investment Objective

The Company's objective is to provide long-term growth in income and capital, principally by investment in equities listed on the London Stock Exchange. The Board continues to recognise the importance of dividend income to shareholders.

Investment Approach

Our Fund Manager, Job Curtis, has been managing City of London since 1 July 1991. He is an executive of Henderson Global Investors Limited and is a member of the Global Equity Income team. Job is assisted in the management of the portfolio by Alex Crooke, David Smith, Ben Loffhouse, Andrew Jones and Laura Foll. He manages the portfolio in a conservative way, focussing on companies with cash generative businesses able to grow their dividends with attractive yields. The portfolio is well diversified with some 66% invested in well known blue chip UK listed companies but it remains biased towards international companies invested in economies likely to grow faster than the UK. In times when savers have difficulty in receiving adequate returns on their investments, the portfolio aims to provide shareholders with dividends between 10% and 30% higher than the FTSE All-Share Index.

Investment Policy

Asset allocation

While the Company will mainly invest in equities, there is the flexibility to invest in debt securities, such as convertibles, corporate bonds or government debt, if it is deemed that these will, at a particular time or for a particular period, enhance the performance of the Company in the pursuit of its objective.

The Company has a portfolio invested predominantly in larger companies. Typically at least 60% of the portfolio by value will be invested in companies in the FTSE 100 Index. The remainder of the portfolio will be invested in a combination of UK listed medium-sized and small companies and (up to 20%) in overseas listed companies.

There are no set limits on sector exposures, although the Board regularly monitors the Company's investments and Henderson's investment activity. Henderson primarily employs a bottom-up value-based investment process to identify suitable opportunities and pays particular regard to cash generation and dividends.

The portfolio yield will usually be between 10% and 30% above the average dividend yield for the UK equity market. There may be some holdings, selected for their above average growth potential, which have a dividend yield lower than the market.

Gearing

The Company will at times utilise limited gearing, both short and long term, in order to enhance performance. Other than in exceptional market conditions, gearing will not exceed 20% of net asset value at the time of draw down of the relevant borrowings. Up to 10% of the net assets can be held in cash. Selling traded options where the underlying share is

held in the portfolio can be used to generate income. Buying and selling FTSE 100 Index Futures can be used to increase or reduce gearing.

Diversification

The Company achieves an appropriate spread of investment risk principally through a broadly diversified portfolio, which at 30 June 2015 contained 119 individual investments (2014: 118) as detailed on pages 8, 9, 14 and 15. At 30 June 2015, the largest single investment was HSBC, which accounted for 4.0% of total investments, while the top 20 holdings totalled 43.6%.

The Company will not invest more than 15% of its portfolio in any single investment on acquisition, nor will it invest more than 15% of the portfolio in any other UK listed investment trusts or investment companies.

Management

The Company has an independent Board of Directors which has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited in accordance with an agreement which was effective from 22 July 2014 which can be terminated on six months' notice. Prior to 22 July 2014 Henderson Global Investors Limited was appointed as Investment Manager. Both entities are authorised and regulated by the Financial Conduct Authority. References to Henderson within this report refer to the services provided by both entities.

Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of Henderson, by BNP Paribas Securities Services. Rachel Peat ACIS acts as Company Secretary on behalf of Henderson Secretarial Services Limited.

During the year under review the management fee was charged at a rate of 0.365% per annum for the first £1bn of net assets reducing to 0.35% of net assets above £1bn. Fees are payable quarterly in arrears based on the level of assets at the relevant quarter end.

Liquidity and Discount Management

The Board's aim is for the Company's share price to reflect closely its underlying net asset value; and also to reduce volatility and have a liquid market in the shares. The ability to influence this is, of course, limited. However, the Board intends, subject always to the overall impact on the portfolio, the pricing of other trusts and overall market conditions, to consider issuance and buybacks within a narrow band relative to net asset value. It is believed that flexibility is important and that it is not in shareholders' interests to have a specific issuance and buy-back policy.

At each Board meeting, the Board monitors the level of the Company's premium/discount to NAV per share and reviews the average premium/discount for the Company's AIC sector.

Savings

City of London sets out to be an attractive and straightforward long-term savings vehicle for private investors. As well as investing directly, shares can be purchased through various dealing platforms and held in share plans, ISAs or pensions. Links to some of these dealing platforms can be found on our website, www.cityinvestmenttrust.com.

Strategic Report: Chairman's Statement



The Chairman of the Company, Philip Remnant, reports on the year to 30 June 2015

This year has been one of steady progress. City of London produced a net asset value total return of 6.4% for the year to 30 June 2015. This follows on from returns of 14.7% and 23.8% for the two previous financial years. Our performance was marginally better than the average for the AIC UK Equity Income sector, a little behind the average for the UK Equity Income OEIC sector but significantly ahead of the FTSE All-Share Index which returned only 2.6%. The dividend was increased for the 49th consecutive year, by 3.7%.

The Markets

UK and US economic growth continued over the year and the outlook for the Eurozone improved with the European Central Bank starting its programme of quantitative easing. The fall in the oil price had a beneficial impact on consumers' disposable income in oil importing countries and helped reduce inflation to a very low level. After the sharp gains of the previous two years when share prices rose faster than profits growth, equity markets moved sideways over the twelve month period. The FTSE 100 Index of large companies was held back by the poor share price performance of oil and mining companies and returned only 0.2%, while the more domestically focussed FTSE Mid 250 Index of medium-sized companies returned 14.5%.

Performance

Earnings and Dividends

Earnings per share rose by 9.8% to 16.84p, partly reflecting the underlying dividend growth from investments held but also the rise in the US dollar compared with sterling, enhancing the sterling value of dividend payments from those UK companies which declare their dividends in US dollars. In addition, special dividends rose from £1.29 million last year to £4.21 million.

City of London increased its own dividend by 3.7% over the previous year and added £3.83 million to revenue reserves. This is the third successive year where we have raised the dividend ahead of the rate of inflation and yet increased revenue reserves to underpin future dividends. Revenue reserves per share now stand at 12.5p, an increase of 6.9% over last year despite continued share issuance by the Company.

This is the 49th consecutive year of unbroken dividend growth, a record unrivalled by any other investment trust.

The quarterly dividend will next be considered by the Board when the third interim is declared in April 2016.

Net Asset Value Total Return

City of London's net asset value total return was 6.4% which was 0.2% ahead of the size weighted average for the AIC UK Equity Income sector, 3.8% ahead of the FTSE All-Share Index and 0.6% behind the UK Equity Income OEIC sector average.

City of London's portfolio remains predominantly invested in large capitalisation (FTSE 100) companies which yield around 1% more than the average for medium-sized and small companies. During the year we did reduce our weighting in the large capitalisation stocks from 69% to 66% but some of our competitors produced superior capital gains due to their greater exposure to medium-sized and small companies.

Relative to the FTSE All-Share Index, City of London benefited from being significantly underrepresented in the oil and mining sectors. The best three stocks held in the portfolio which contributed to performance were all housebuilders: Taylor Wimpey, Persimmon and Berkeley Group. The two large Real Estate Investment Trust holdings in the portfolio, Land Securities and British Land, were also significant contributors. Overall, stock selection contributed 4.08% to performance. Given relatively flat markets, gearing was held in a range of 5.7% to 9.4% over the twelve months and contributed marginally to performance.

Active Share

Over the last year active share, which measures how much a portfolio's holdings differ from its benchmark constituents, has received some attention. The theory is that it is necessary to have a high active share to achieve meaningful outperformance. There has been ensuing criticism of some investment vehicles which have low active shares, follow the benchmark in a passive fashion and yet charge high fees more normally associated with actively managed funds.

This is not an accusation that can be validly levelled against City of London. Although the Company's active share (relative to the FTSE All-Share Index) is considered by some to be low, it has still achieved significant outperformance. Over five years, City of London has outperformed the FTSE All-Share Index by 33.5% and our ongoing charges have been further reduced to 0.42%, which remain the lowest in the AIC UK Equity Income sector.

In my view, active share is a potentially misleading metric, particularly if used in isolation and without taking a more informed view of the risk profile of a fund. Other measures such as information ratios are often more insightful as they seek to assess risk-adjusted returns. Over the last five years, the Company's information ratio is the second best in the AIC UK Equity Income sector in terms of the returns achieved relative to the degree of risk taken in achieving those returns.

Share Issues

There was again strong appetite during the year for the Company's shares. 22.9 million shares were issued at a premium to net asset value, for proceeds of £86.9 million, enhancing net asset value by 0.13%. In the past five years, City of London has issued 99.1 million new shares which has increased its share capital by 47.5%.

City of London's shares continue to trade consistently at a premium to net asset value, despite the sector generally moving to a discount during the year. It was particularly encouraging to see that in the months

Strategic Report: Chairman's Statement (continued)

leading up to the general election, a period of uncertainty when demand for the Company's shares was uncharacteristically muted, City of London's rating stood up well and indeed improved relative to its peers.

The Board

On 1 September 2015, we appointed Samantha Wren to the Board. She brings to the Board valuable experience from her background in finance, operations and business risk and control. She is currently chief operating officer of the global broking division of ICAP plc, where she has held several senior finance roles, including group treasurer.

We take the appointment of directors, and governance generally, very seriously. We employed a specialist external search firm to find Sam. Each year, we assess the composition of the Board and its performance, including that of individual directors. Every three years we conduct an external review and the next one is due to be carried out during the forthcoming year.

In accordance with best practice, all directors stand for annual re-election. I refer you to the directors' biographies on page 16 for further details of their background and expertise.

Annual General Meeting

The Annual General Meeting will be held at the office of Henderson Global Investors, 201 Bishopsgate, London EC2M 3AE on Friday 23 October 2015 at 2:30pm. I would encourage as many shareholders as possible to attend for the opportunity to meet the Board and to watch a presentation from Job Curtis, our Fund Manager. For the first time, the Company's AGM will be broadcast live on the internet. If you are unable to attend in person, you can watch the meeting as it happens by visiting www.henderson.com/trustslive.

Outlook

With the general election now behind us, and as the economy continues to strengthen, the prospect of higher interest rates looms large. Such increase is likely to be gradual and should be regarded as an integral part of normalising monetary policy. A key question for investors is whether such an extended period of low interest rates has caused some, in their quest for yield, to invest in more risky, more volatile and more illiquid assets, and more generally has inflated asset prices beyond their fair value.

In this context, it is worth reminding shareholders of City of London's investment approach. We focus on companies with cash generative businesses able to grow their dividends with attractive yields. Our portfolio is well diversified, predominantly invested in well known blue chip UK companies with international exposure. We aim to provide shareholders with dividends which yield significantly more than the market and which will grow at or above the rate of inflation. The Company itself has gross assets of over £1.2 billion and provides shareholders with a ready, liquid market in its shares.

In the short term, equities may produce lower returns than they have done on average over the last three years, and be more volatile, as they have been since the end of June. Yet they are still attractive relative to the alternatives in fixed interest and bank deposits, both in terms of yield and capital appreciation. I am confident that City of London's strategy, which is focussed on providing long term growth in income and capital, will continue to enhance shareholder value over the longer term.

Philip Remnant CBE
Chairman

Strategic Report: Historical Performance

Total Return Performance to 30 June 2015

	1 year %	3 years %	5 years %	10 years %
Net asset value per ordinary share ¹	6.4	51.4	100.1	129.0
AIC UK Equity Income sector average – net asset value ²	6.2	54.2	100.7	122.6
FTSE All-Share Index	2.6	36.9	66.6	97.7
UK Equity Income OEIC sector average	7.0	48.6	79.4	95.2

Share Price Performance Total Return to 30 June 2015

Value of £1,000 with net income reinvested	1 year £	3 years £	5 years £	10 years £
The City of London Investment Trust plc ³	1,072.2	1,499.2	2,022.2	2,568.9
AIC UK Equity Income sector average	1,054.7	1,601.9	2,044.6	2,329.5
FTSE All-Share Index	1,026.0	1,368.7	1,665.7	1,976.6
UK Equity Income OEIC sector average	1,075.1	1,506.3	1,831.0	1,991.6

Ten Year Net Asset Value and Dividend Record

Year ended	Net Asset Value per Ordinary Share (p) ⁴	Net Asset Value per Ordinary Share (rebased) ⁶	Net Dividends per Ordinary Share (p)	Net Dividends per Ordinary Share (rebased) ⁶
30 June 2005	256.9 ⁵	100.0	8.62	100.0
30 June 2006	294.7	114.7	9.36	108.6
30 June 2007	345.6	134.5	10.30	119.5
30 June 2008	274.4	106.8	11.60	134.6
30 June 2009	205.7	80.1	12.32	142.9
30 June 2010	245.0	95.4	12.66	146.9
30 June 2011	300.0	116.8	13.20	153.1
30 June 2012	292.9	114.0	13.74	159.4
30 June 2013	343.6	133.7	14.30	165.9
30 June 2014	377.5	146.9	14.76	171.2
30 June 2015	386.3	150.4	15.30	177.5

1 Net asset value per share with income reinvested for 1, 3 and 5 years and capital NAV plus income reinvested for 10 years

2 AIC UK Equity Income sector size weighted average NAV total return (shareholders' funds)

3 Share price total return using mid-market closing price

4 Net asset value per ordinary share is calculated after deducting all prior charges, including the preference and preferred ordinary stocks, at par

5 Restated due to change in accounting policy for treatment of dividends payable

6 Rebased to 100 at 30 June 2005

Sources: Morningstar for the AIC, Henderson, Datastream

Strategic Report: Portfolio Information

Forty Largest Investments at 30 June 2015

Position	Company	Sector	Market Value £'000	Portfolio %
1	HSBC	Banks	50,454	4.01
2	British American Tobacco	Tobacco	50,200	3.99
3	Royal Dutch Shell	Oil & Gas Producers	49,559	3.94
4	Vodafone	Mobile Telecommunications	39,074	3.10
5	BP	Oil & Gas Producers	33,612	2.67
6	Diageo	Beverages	29,916	2.38
7	GlaxoSmithKline	Pharmaceuticals & Biotechnology	26,450	2.10
8	Unilever	Personal Goods	25,252	2.01
9	National Grid	Gas, Water & Multiutilities	24,516	1.95
10	AstraZeneca	Pharmaceuticals & Biotechnology	24,114	1.91
Top 10			353,147	28.06
11	SSE	Electricity	21,504	1.71
12	RELX	Media	20,980	1.67
13	Imperial Tobacco	Tobacco	20,856	1.66
14	Prudential	Life Insurance	19,922	1.58
15	Land Securities	Real Estate Investment Trusts	19,866	1.58
16	BT	Fixed Line Telecommunications	19,359	1.54
17	Legal & General	Life Insurance	18,667	1.48
18	Taylor Wimpey	Household Goods & Home Construction	18,580	1.48
19	Persimmon	Household Goods & Home Construction	18,269	1.45
20	Barclays Bank	Banks	17,974	1.43
Top 20			549,124	43.64
21	Verizon Communications	Fixed Line Telecommunications	17,824	1.42
22	Berkeley	Household Goods & Home Construction	17,566	1.39
23	Schroders	Financial Services	16,948	1.35
24	British Land	Real Estate Investment Trusts	16,584	1.32
25	BAE Systems	Aerospace & Defence	15,566	1.24
26	Provident Financial	Financial Services	15,367	1.22
27	Lloyds Banking Group	Banks	15,215	1.21
28	Sky	Media	15,036	1.19
29	Reckitt Benckiser	Household Goods & Home Construction	14,621	1.16
30	Pearson	Media	14,460	1.15
Top 30			708,311	56.29
31	Rio Tinto	Mining	14,377	1.14
32	Standard Life	Life Insurance	14,250	1.13
33	Novartis	Pharmaceuticals & Biotechnology	13,793	1.10
34	Greene King	Travel & Leisure	13,512	1.07
35	Capita	Support Services	12,999	1.03
36	Phoenix	Life Insurance	12,717	1.01
37	Croda International	Chemicals	12,659	1.01
38	BHP Billiton	Mining	12,490	0.99
39	Centrica	Gas, Water & Multiutilities	11,871	0.94
40	Compass	Travel & Leisure	11,583	0.92
Top 40			838,562	66.63

The ten largest investments represent 28.06% of the portfolio (all classes of equity in one company being treated as one investment). The constituents of the top ten stocks have not changed from 2014.

Strategic Report: Portfolio Information (continued)

Classification of Investments and Portfolio Weighting as at 30 June 2015

		Portfolio %	FTSE All-Share Index %	Relative to the FTSE All-Share
Oil & Gas	Oil & Gas Producers	6.6	11.1	(4.5)
	Oil Equipment, Services & Distribution	–	0.5	(0.5)
		6.6	11.6	
Basic Materials	Chemicals	1.8	0.7	1.1
	Forestry & Paper	–	0.3	(0.3)
	Industrials Metals & Mining	–	–	0.0
	Mining	2.3	5.3	(3.0)
		4.1	6.3	
Industrials	Aerospace & Defence	1.9	2.0	(0.1)
	Construction & Materials	0.3	1.0	(0.7)
	Electronic & Electrical Equipment	1.3	0.5	0.8
	General Industrials	1.7	0.7	1.0
	Industrial Engineering	1.7	0.8	0.9
	Industrial Transportation	0.8	0.3	0.5
	Support Services	2.9	5.0	(2.1)
		10.6	10.3	
Consumer Goods	Automobiles & Parts	–	0.3	(0.3)
	Beverages	3.2	3.9	(0.7)
	Food Producers	1.2	0.8	0.4
	Household Goods & Home Construction	5.5	3.2	2.3
	Leisure Goods	–	–	0.0
	Personal Goods	2.0	2.0	0.0
	Tobacco	5.6	4.5	1.1
		17.5	14.7	
Health Care	Health Care Equipment & Services	–	0.7	(0.7)
	Pharmaceuticals & Biotechnology	5.7	7.4	(1.7)
		5.7	8.1	
Consumer Services	Food & Drug Retailers	0.8	1.5	(0.7)
	General Retailers	2.9	2.8	0.1
	Media	5.3	3.7	1.6
	Travel & Leisure	5.0	4.2	0.8
		14.0	12.2	
Telecommunications	Fixed Line Telecommunications	3.5	2.1	1.4
	Mobile Telecommunications	3.5	3.1	0.4
		7.0	5.2	
Utilities	Electricity	1.7	0.8	0.9
	Gas, Water & Multiutilities	4.9	2.8	2.1
		6.6	3.6	
Financials	Banks & Building Societies	7.5	11.3	(3.8)
	Equity Investment Instruments	0.8	3.7	(2.9)
	Financial Services	3.9	2.7	1.2
	Life Insurance	6.1	4.8	1.3
	Non-life Insurance	3.3	1.0	2.3
	Real Estate Investment & Services	–	0.8	(0.8)
	Real Estate Investment Trusts	4.9	2.1	2.8
		26.5	26.4	
Technology	Software & Computer Services	0.9	0.7	0.2
	Technology Hardware & Equipment	0.5	0.9	(0.4)
		1.4	1.6	
Total		100.0	100.0	

Strategic Report: Fund Manager's Report



The Fund Manager of the Company, Job Curtis, reports on the year to 30 June 2015

Investment Background

FTSE All-Share Total Return Index (rebased to 100)



Source: Datastream, as at 30 June 2015

During the period under review, the UK equity market, as measured by the FTSE All-Share Index, produced a total return of 2.6%. Economic fundamentals were reasonable but the lacklustre return from the equity market reflected its higher valuation after share price gains in excess of corporate profits growth since the market low in March 2009. Growth in the UK was helped by the boost to consumer spending from rising real wages and the lower oil price. The US economy continued to grow and the Eurozone improved helped by quantitative easing from the European Central Bank and the fall in the Euro. Emerging markets were mixed with a notable fall in the growth rate of the Chinese economy.

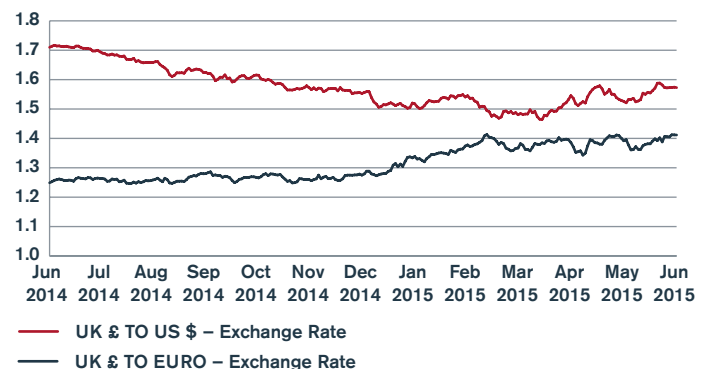
London Brent Crude Oil Index (ICE) US\$/BBL



Source: Bloomberg, as at 30 June 2015

There was a significant fall in the oil price which began the period at \$107/bbl (as measured by Brent Crude) reached a low of \$54 in January and ended the period at \$64. The weakness in the oil price was partly caused by a softening in demand from China. More importantly, the oil price slump was a reaction to the significant growth in supply in the US due to the increased scope and efficiency of techniques to extract oil from shale rock. The lower oil price was effectively a tax cut for consumers in oil importing countries. The consumer price index fell to zero in both the UK and the US in the first quarter of 2015 and moved to negative (or mild deflation) in the Eurozone.

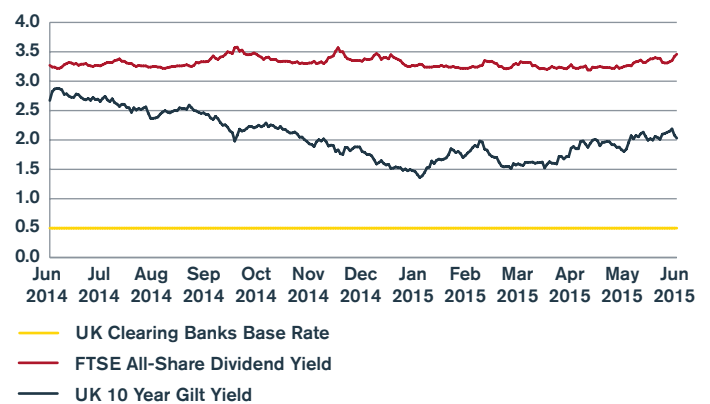
UK £ versus Euro and US \$



Source: Datastream, as at 30 June 2015

The key feature in the foreign exchange market was the strengthening in the US dollar compared with the Euro because of higher economic growth in the US and the start of quantitative easing in the Eurozone. Sterling also strengthened against the Euro but weakened against the US dollar for the first nine months of the period. The surprise result of the overall majority for the Conservatives in the UK general election in May compared with expectation of a hung parliament led to a strengthening of Sterling against both the US dollar and the Euro.

UK Base Rate, FTSE All-Share Dividend Yield and UK 10 Year Gilt Yield



Source: Datastream, as at 30 June 2015

Strategic Report: Fund Manager's Report (continued)

Throughout the twelve months, the UK equity dividend yield remained significantly in excess of both the yield of ten year gilts and base rates. Companies in City of London's portfolio on average increased their dividends by 7.2% (excluding special dividends) partly helped by the strength of the US dollar enhancing the sterling value of dividend payments from those UK companies that declare their dividends in US dollars. Given the equity market's combination of dividend yield and growth, the fixed rate borrowing remained fully invested over the year and gearing was maintained in a range of 5.7% to 9.4%. The highest gearing was in October 2014 when some of the bank facility was utilised in response to a temporary correction in the equity market. As shown in the table, gearing contributed 0.05% and stock selection 4.08% to performance relative to the FTSE All-Share Index.

Estimated Performance Attribution Analysis (Relative to FTSE All-Share Index Total Return)

	2015	2014
Stock selection	+4.08	+1.14
Gearing	+0.05	+0.66
Expenses	-0.42	-0.43
Share Issues	+0.13	+0.19
	+3.84	+1.56

Source: Henderson

Performance of Higher Yielding Shares Compared with Lower Yielding Shares

The chart below compares the return of the FTSE 350 Higher Yield Index (the higher dividend yielding half of the largest 350 shares listed in the UK) with the FTSE 350 Lower Yield Index (the lower dividend yielding half of the largest 350 shares listed in the UK).

Over the twelve month period, the FTSE 350 Lower Yield Index significantly outperformed the FTSE 350 Higher Yield Index which was adversely affected by the poor performance of several large constituents: oil companies, Royal Dutch Shell and BP, as well as HSBC and GlaxoSmithKline.



Source: Datastream, as at 30 June 2015

Portfolio Review

Reflecting the weakness in the oil price, the oil sector was a major underperformer over the year with a negative return of 21.6%. As the oil price fell in the second half of 2014, the portfolio's holdings in the sector were reviewed and what were considered the two weakest companies, Statoil and ENI, were sold. Holdings were maintained in Royal Dutch Shell and BP although the portfolio was under represented in the two stocks relative to the FTSE All-Share Index. In April 2015, Royal Dutch Shell bid for oil independent BG which owns valuable LNG operations as well as oil interests off the coast of Brazil. On a long term basis, this was a good moment to acquire BG with its valuation relatively depressed. At the beginning of July 2015 and slightly over five years after the Macondo oil spill disaster in the Gulf of Mexico, BP reached a settlement with the US authorities for penalties, damages and claims in-line with market expectations. Looking forward, both Royal Dutch Shell and BP should benefit from improved profitability of their downstream (refining and marketing) operations. In addition, both companies will be looking to preserve upstream oil exploration and production profit margins by reducing the costs they pay to suppliers. With this in mind, the portfolio's two small holdings in the oil equipment and services sector, Cape and Prosafe, were sold because they operate in areas that appeared to be particularly vulnerable to cost cutting from oil companies.

The mining sector faced similar pressure to the oil sector with supply increasing at the same time as demand softened. The multi-year growth in demand from China for commodities such as iron ore (used for steel) had encouraged mining companies to invest in new capacity. The chart below shows the fall in the iron ore price over the twelve months as this new supply came onto the market.

Iron Ore (US\$/Metric Tonne)



Source: Datastream, as at 30 June 2015

The two main mining holdings in the portfolio, BHP Billiton and Rio Tinto, are among the lowest cost producers. BHP Billiton spun out its non-core assets into a new company, South 32, and this holding was sold. In addition, the holding in Anglo American was reduced given its above average balance sheet gearing although it has an impressive, diverse range of assets, including the De Beers diamonds business.

Strategic Report: Fund Manager's Report (continued)

In contrast to the underperforming oil and mining companies, the star performers in the portfolio over the twelve months were the three housebuilders. Taylor Wimpey which was originally bought in July 2014 returned 71%, while the holdings of Persimmon (bought 2012) returned 64% and Berkeley (bought 2013) returned 49%. The quoted housebuilders benefited from strong demand for new houses given low interest rates and the shortage of available homes. All three housebuilders in the portfolio have land banks of over five years and are committed to returning a substantial proportion of profits to shareholders in the form of dividends. At the end of the financial year, the Company's stake in its three housebuilding holdings was worth 4.3% of the portfolio.

In addition a further 4.9% of the portfolio was held in Real Estate Investment Trusts (REITs) which own offices, shopping centres and industrial property. Over the year, REITs benefited from strong investor demand for good quality property and rising rents for London Offices. Land Securities and British Land remained the two largest REIT holdings in the portfolio and returned 19.4% and 17.2% respectively. Two new REITs were bought. Hansteen is a specialist in high yielding industrial property in the UK and Europe. Tritax Big Box owns large warehouses needed by retailers to fulfil orders for the online market.

In the general retail sector, a new holding was bought in N.Brown, an online catalogue and stores retailer with a particular focus on the plus-size apparel sector. Profits were taken in Card Factory. In food retailing, trading conditions were very tough because of the growth of the deep discounters Aldi and Lidl. The holdings in Tesco and WM Morrison were sold given significant uncertainty over their profits and dividends. A holding was retained in J.Sainsbury where it was felt the business had been better managed in recent years and its brand was relatively strong.

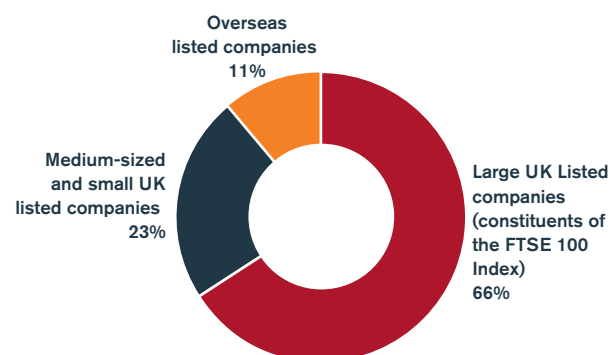
In media, a new holding was bought in ITV while Euromoney Institutional Investor was sold. ITV, the UK's leading commercial free to air broadcaster, is a beneficiary of improving advertising as a result of better UK economic growth. It is also a successful maker of television programmes for both the UK and overseas markets. Reed Elsevier, which had a good year with a share price total return of 15.8%, had a corporate reorganisation and was renamed RELX. The portfolio holding was consolidated into the cheaper Dutch line (from the UK line).

In the banks sector, a holding was bought in Lloyds, some six years after it was sold at the time of its acquisition of HBOS. In the intervening period, Lloyds has rebuilt its capital base, the UK government has significantly reduced its stake and the bank has started paying a dividend again (in May 2015). Lloyds has a leading position in UK retail banking and significant dividend growth is expected. There is scope for Lloyds' share price rating to improve as its recovery continues.

In utilities, the water sector had a tough regulatory review and the holding in Pennon was sold where there was also concern about its waste treatment business. In food producers, Dairy Crest was sold following a sharp rise in its share price after it announced the sale of its milk business.

Three other new stocks were bought. Capita is the UK's leading provider of outsourced administration and customer services. Its revenues are split equally between the private and public sectors (and the majority of public sector contracts are for local government). Given the cost savings that Capita can give its customers, outsourcing is likely to continue to be a structural growth area. Low & Bonar designs and manufactures polymers and other specialist materials with significant recovery potential in European markets. XP Power is a designer and manufacturer of power conversion components for industrial, health care and technology products. It is an international business with leading companies in those sectors as customers.

Distribution of the Portfolio as at 30 June 2015

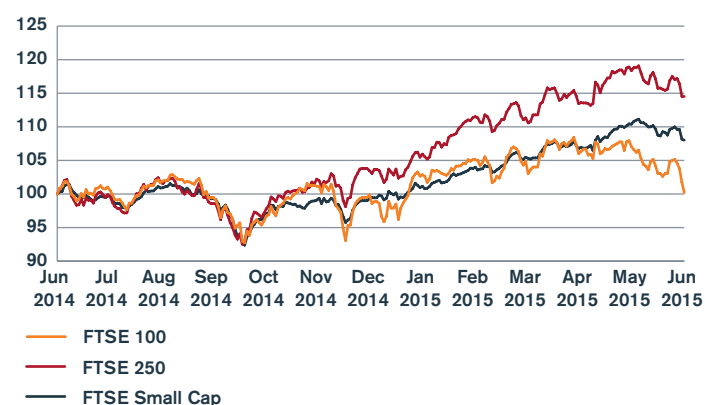


The portion of the portfolio invested in large UK listed companies declined over the year from 69% to 66% and was matched by an increase in medium-sized and small UK listed companies from 20% to 23%. The portion in overseas listed companies remained the same at 11%. The increase in medium-sized and small UK companies partly reflected their outperformance and partly the greater opportunities for new investment in this area over the year.

The chart following compares the performance of the largest companies (FTSE 100) with medium-sized companies (FTSE 250) and small companies (FTSE Small Cap). It shows the significant outperformance of medium-sized companies followed by small companies with large companies worst. Medium-sized and small companies benefited from their greater exposure to the UK domestic economy. The FTSE 100 was weighed down by its over-representation of the underperforming oil and mining sectors.

Strategic Report: Fund Manager's Report (continued)

FTSE 100, FTSE 250 & FTSE Small Cap Total Return
(rebased to 100)



Source: Datastream, as at 30 June 2015

Outlook

UK economic growth is well-established with GDP some 5% above its pre-financial crisis peak. It is likely that interest rates will start to increase over the next six months having been at the historically low, crisis level of 0.5% for the last six years. However, interest rate increases are likely to be gradual given low inflation and the high levels of consumer debt. Overseas, the US is set to continue with steady economic growth. The outlook for growth in the Eurozone has improved helped by quantitative easing, the lower Euro and cheap oil. In China, the nature of economic growth is likely to change with less investment and more consumption.

Against this economic background and taking into account relative sector valuations, a balanced approach is considered appropriate. The portfolio's overweight position in UK housebuilders and REITs should continue to benefit from strong market conditions. The large consumer staples holdings, such as British American Tobacco, Diageo and Unilever, have long-term growth prospects from growth in emerging markets although they face some short-term softer demand and weaker currencies. The portfolio has significantly below average exposure to the oil sector but holdings are maintained in Royal Dutch Shell and BP given their attractive dividend yields and long-term potential for the oil price to recover. The portfolio also has below average exposure to the banks sector but as capital rebuilds and dividends improve the sector becomes more interesting. The life assurance sector has produced strong dividend growth in recent years and an above average exposure for the portfolio has been maintained.

The outlook for telecommunications has improved with the growth in data and fourth generation mobile services as well as consolidation within the sector all of which should benefit the large holding in Vodafone. In pharmaceuticals, a wave of improved productivity in the discovery of new medicines appears to be happening. The four pharmaceutical companies in the portfolio should be able to capture some of this growth. Investment in the UK's infrastructure remains important and reasonable returns for equity investors must be part of the industry structure agreed between the government, regulators and the companies.

Overall, there remain plenty of opportunities for dividend growth and share price gains for the Company.

Job Curtis
Fund Manager

Strategic Report: Portfolio Information (continued)

Sector Breakdown of Investments as at 30 June 2015

	Valuation £'000		Valuation £'000
OIL & GAS		INDUSTRIALS (continued)	
Oil & Gas Producers		Support Services	
Royal Dutch Shell	49,559	Capita	12,999
BP	33,612	Connect	6,470
	83,171	Berendsen	5,095
Total Oil & Gas	83,171	Interserve	3,633
BASIC MATERIALS		Paypoint	3,469
Chemicals		De La Rue	2,494
Croda International	12,659	Premier Farnell	2,334
Syngenta ¹	5,248		36,494
Johnson Matthey	2,734	Total Industrials	133,668
Victrix	2,220	CONSUMER GOODS	
	22,861	Beverages	
Mining		Diageo	29,916
Rio Tinto	14,377	Britvic	10,045
BHP Billiton	12,490		39,961
Anglo American	2,067	Food Producers	
	28,934	Nestlé ¹	6,889
Total Basic Materials	51,795	Tate & Lyle	5,195
INDUSTRIALS		Greencore	3,454
Aerospace & Defence			15,538
BAE Systems	15,566	Household Goods & Home Construction	
Rolls-Royce	6,960	Taylor Wimpey	18,580
Meggitt	1,982	Persimmon	18,269
	24,508	Berkeley	17,566
Construction & Materials		Reckitt Benckiser	14,621
Marshalls	2,964		69,036
Low & Bonar	1,395	Personal goods	
	4,359	Unilever	25,252
Electronic & Electrical Equipment			25,252
Halma	6,477	Tobacco	
Renishaw	4,582	British American Tobacco	50,200
Emerson Electric ¹	2,819	Imperial Tobacco	20,856
XP Power	2,016		71,056
	15,894	Total Consumer Goods	220,843
General Industrials		HEALTH CARE	
Swire Pacific ¹	7,968	Pharmaceuticals & Biotechnology	
Rexam	5,888	GlaxoSmithKline	26,450
Siemens ¹	4,492	AstraZeneca	24,114
Smiths	3,387	Novartis ¹	13,793
	21,735	Merck ¹	7,960
Industrial Engineering			72,317
IMI	9,352	Total Health Care	72,317
Spirax-Sarco Engineering	7,877	CONSUMER SERVICES	
Rotork	2,326	Food & Drug Retailers	
Weir	1,697	Greggs	6,507
	21,252	J. Sainsbury	3,582
Industrial Transportation			10,089
BBA	5,053		
Royal Mail	4,373		
	9,426		

Strategic Report: Portfolio Information (continued)

	Valuation £'000		Valuation £'000
CONSUMER SERVICES (continued)		FINANCIALS (continued)	
General Retailers		Lloyds Banking Group	15,215
Marks & Spencer	10,184	Nationwide Building Society 10.25% Var Perp CCDS	8,352
Next	10,058	Cembra Money Bank ¹	2,321
Kingfisher	8,682		94,316
Halfords	3,960	Equity Investment Instruments	
N. Brown Group	3,552	Greencoat UK Wind	3,677
	36,436	John Laing Infrastructure Fund	3,660
Media		Foresight Solar Fund	2,398
RELX ¹	20,980		9,735
Sky	15,036	Financial Services	
Pearson	14,460	Schroders	16,948
ITV	8,952	Provident Financial	15,367
Daily Mail & General	6,968	Brewin Dolphin	5,254
	66,396	IG	4,479
Travel & Leisure		Tullett Prebon	4,403
Greene King	13,512	ICAP	2,118
Compass	11,583		48,569
Whitbread	11,128	Life Insurance	
TUI Travel	8,240	Prudential	19,922
Cineworld	5,761	Legal & General	18,667
William Hill	5,544	Standard Life	14,250
Go-Ahead	5,268	Phoenix	12,717
Young	2,772	Old Mutual	10,780
	63,808		76,336
Total Consumer Services	176,729	Non-life Insurance	
TELECOMMUNICATIONS		Amlin	11,195
Fixed Line Telecommunications		Hiscox	9,173
BT	19,359	Zurich Insurance ¹	8,517
Verizon Communications ¹	17,824	Munich Re ¹	7,343
Swisscom ¹	5,343	Direct Line Insurance	4,925
Manx Telecom	2,308		41,153
	44,834	Real Estate Investment Trusts	
Mobile Telecommunications		Land Securities	19,866
Vodafone	39,074	British Land	16,584
Deutsche Telekom ¹	4,670	Segro	8,116
	43,744	Unibail-Rodamco ¹	5,300
Total Telecommunications	88,578	GCP Student Living	5,438
UTILITIES		Tritax Big Box	3,962
Electricity		Hansteen	2,888
SSE	21,504		62,154
	21,504	Total Financials	332,263
Gas, Water & Multiutilities		TECHNOLOGY	
National Grid	24,516	Software & Computer Services	
Centrica	11,871	Sage	6,919
United Utilities	11,150	Microsoft ¹	4,492
Severn Trent	7,283		11,411
Duke Energy ¹	6,149	Technology Hardware & Equipment	
	60,969	Laird	6,067
Total Utilities	82,473		6,067
FINANCIALS		Total Technology	17,478
Banks & Building Societies		TOTAL INVESTMENTS	1,259,315
HSBC	50,454		
Barclays Bank	17,974		

¹ Overseas listed

Strategic Report: Key Information

Directors

The Directors appointed to the Board at the date of this Report are:

Philip Remnant CBE

Position: Chairman of the Board and Nominations Committee

Date of Appointment: 1 January 2011 (Chairman on 24 October 2011)

Philip was a Senior Adviser at Credit Suisse until December 2013, having previously been a Vice Chairman of CSFB Europe and Head of the UK Investment Banking Department. He was the Chairman of the Shareholder Executive between 2007 and 2012, and was Director General of the Takeover Panel from 2001 to 2003 and again in 2010. He is the Senior Independent Director of Prudential plc and of UK Financial Investments Limited. He is also a non-executive Director of Severn Trent plc and a Deputy Chairman of the Takeover Panel.

Simon Barratt

Position: Director

Date of Appointment: 1 October 2010

Simon is General Counsel and Company Secretary at Whitbread PLC where he has been since 1991. During that time he has also acted as Company Secretary for the Whitbread Investment Company plc and a Director of Whitbread Pension Trustees. He was previously at Rio Tinto and Heron, having qualified as a solicitor with the law firm, Slaughter and May.

David Brief

Position: Director

Date of Appointment: 1 January 2009

David was previously Chief Investment Officer of BAE Systems Pension Funds Investment Management Limited and an investment adviser to the Rio Tinto and British Coal Staff Pension schemes. He is Chairman of Asian Total Return Investment Company plc and an investment adviser to the J. Sainsbury Pension Scheme. He is also a Trustee of St. Martins Housing Trust.

Richard Hextall

Position: Chairman of the Audit Committee and Senior Independent Director

Date of Appointment: 1 November 2007 (Chairman of the Audit Committee and Senior Independent Director on 1 April 2011)

Richard is a Chartered Accountant and has been the Group Finance Director of Amlin plc since 1999. He was a Director of the Lloyd's Market Association from 2007 to 2010 and a member of its finance committee from 2002 to 2009 (Chairman from 2005 to 2007). He was also a member of the Lloyd's Investment Committee from 2003 to 2007. He joined Amlin from Deloitte & Touche, where he was a Director specialising in the insurance and financial services sector.

Martin Morgan

Position: Director

Date of Appointment: 1 March 2012

Martin has been Chief Executive of Daily Mail and General Trust plc since October 2008, having joined the Group in 1989. He was previously Chief Executive of dmg information. He is a non-executive Director of Euromoney Institutional Investor plc.

Samantha Wren

Position: Director

Date of Appointment: 1 September 2015

Samantha is Chief Operating Officer of ICAP plc's Global Broking division and is responsible for finance, operations and business risk and control. Prior to ICAP, she held senior finance roles at the gaming group, The Rank Group plc, latterly as Director of Corporate Finance where she was also a director of the Rank Pension Plan Trustee Limited. She qualified as a Chartered Management Accountant at Rentokil Initial plc.

Fund Management

Job Curtis has been City of London's Fund Manager since 1 July 1991. After graduating from Oxford University in 1983 with a BA Hons in Philosophy, Politics and Economics, he joined Grieveson, Grant stockbrokers as a trainee. In 1985, he joined Cornhill Insurance as an assistant fund manager and then moved to Touche Remnant in 1987 where he became a fund manager. Touche Remnant was taken over by Henderson in 1992 and Job is currently a member of Henderson's Global Equity Income team.

Job is assisted in the management of the portfolio by Alex Crooke, who joined Henderson in 1994 and is Head of its Global Equity Income team; David Smith who joined Henderson in 2002; Ben Lofthouse who joined Henderson in 2004, Andrew Jones who joined Henderson in 2005 and Laura Foll who joined Henderson in 2009.

All Directors are independent of Henderson

All Directors are members of the Nominations Committee

The Audit Committee consists of Richard Hextall, David Brief, Simon Barratt and Samantha Wren

Strategic Report: Key Information (continued)

Service Providers

Alternative Investment Fund Manager
Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Corporate Secretary
Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818
Email: trusts@henderson.com

Depository and Custodian
HSBC Bank plc
8 Canada Square
London E14 5HQ

UK

Stockbrokers
Cenkos Securities plc
6-8 Tokenhouse Yard
London EC2R 7AS

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 889 3296

New Zealand

New Zealand Stockbrokers
ABN AMRO Craigs
Farming House
102-104 Spring Street
PO Box 13155
Tauranga
New Zealand

New Zealand Registrar
Computershare Investor Services Limited
PO Box 92119
Auckland 1142
New Zealand
Telephone (New Zealand) (64) 09 488 8777

Independent Auditor

Chartered Accountants and Statutory Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Information Sources

For more information about The City of London Investment Trust plc, visit the website at www.cityinvestmenttrust.com.

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Investing

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Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman. Investors in Halifax Share Dealing receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Strategic Report: Corporate Information

Status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 ("the Act") and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ("Section 1158"). The Company is subject to the UK Listing Authority's Listing Rules and also the Listing Rules of the New Zealand Stock Exchange. It is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The Company has obtained approval from HM Revenue & Customs ("HMRC") of its status as an investment trust under Section 1158; the Directors are of the opinion that the Company has conducted its affairs in compliance with Section 1158 since approval was granted and intends to continue to do so. The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with Section 1158.

Principal Risks and Uncertainties

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

Portfolio and market price

Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on equity shareholders' funds. The Board reviews the portfolio at the seven Board meetings held each year. The Fund Manager closely monitors the portfolio between meetings and mitigates this risk through diversification of investments.

Investment activity, gearing and performance

An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark. The Board monitors investment performance at each Board meeting and regularly reviews the level of gearing.

Tax and regulatory

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA ("UK Listing Authority") Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Company must also ensure compliance with the Listing Rules of the New Zealand Stock Exchange. Henderson provides investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by Henderson on a quarterly basis, which confirm regulatory compliance.

Operational

Disruption to, or failure of, Henderson's or its administrator's (BNP Paribas Securities Services) accounting, dealing or payment systems could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service.

The Board considers the loss of the Fund Manager as a risk but this is mitigated by the experience of the team at Henderson as detailed on page 16.

Borrowings

The Company has a borrowing facility of £80m with HSBC Bank plc, of which £nil was drawn at the year end (2014: £nil). The Company also has two debentures totalling £40.0m (2014: £46.0m) and £35m of private placement notes. The level of gearing at 30 June 2015 was 6.0% of net asset value (2014: 7.1%).

Future Developments

While the future performance of the Company is mainly dependent on the performance of international financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and strategy explained earlier. The Chairman's Statement and Fund Manager's Report provide commentary on the outlook for the Company.

Key Performance Indicators ("KPIs")

In order to measure the success of the Company in meeting its objective and to evaluate the performance of Henderson, the Directors take into account the following KPIs:

Performance against the Company's peer group

The Company is included in the AIC UK Equity Income sector. The Board considers the size weighted average net asset value total return of its AIC peer group at each Board meeting. During the year under review the Company outperformed the peer group by 0.2%.

Performance against the OEIC sector

The Board considers the performance of the portfolio against the UK Equity Income OEIC sector. During the year under review the Company underperformed the sector by 0.6%.

Performance against market indices

The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and the FTSE All-Share Index. During the year under review the Company outperformed the index by 3.8% on a total return basis.

Strategic Report: Corporate Information (continued)

Premium/discount to net asset value ("NAV")

The Board's aim is for the Company's share price to reflect closely its underlying net asset value. At each Board meeting, the Board monitors the level of the Company's premium/discount to NAV per share and reviews the average premium/discount for the Company's AIC sector. At 30 June 2015 the Company's shares were trading at a 1.6% premium to NAV (2014: 0.9% premium). The Company publishes NAV per share figures on a daily basis, through the official newswire of the London Stock Exchange and on the New Zealand Stock Exchange where it has an overseas listing.

Ongoing Charge

The Board regularly reviews the ongoing charges and monitors Company expenses. For the year ended 30 June 2015 the Ongoing Charge as a percentage of shareholders' funds was 0.42% (2014: 0.43%).

The charts and data on pages 2 and 3 show how the Company has performed against these KPIs.

Corporate Responsibility

Responsible Investment

Henderson is responsible for reporting on its work on corporate governance and corporate responsibility (or social, environmental and ethical issues) in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance issues into mainstream investment decision-making and ownership practices.

The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is considered by Henderson's Risk Team but investments are not necessarily ruled out on social and environmental grounds only.

Voting Policy and the UK Stewardship Code

Henderson's responsible investment policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Henderson implements the Stewardship Code. The Company has reviewed the policy and has delegated responsibility for voting to Henderson. The Board receives regular reports on the voting undertaken by Henderson on behalf of the Company. The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the Fund Manager will give specific instructions on voting non-routine and unusual or controversial resolutions.

Decisions not to support resolutions and the rationale are fed back to the investee company prior to voting.

The Henderson responsible investment policy and further details of Henderson's responsible investment activities can be found on the Henderson website, www.henderson.com.

Employees, Social, Community, Human Rights and Environmental Matters

The Company's core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues.

Henderson's corporate responsibility statement is included on the website stated above. In 2012 it was granted CarbonNeutral Company status which it has committed to maintain at least until the end of 2015.

The Company's Annual Report is printed on paper produced using 50% recycled post-consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council; the printing company used is certified as CarbonNeutral®.

Board Diversity

It is the Company's aim to have an appropriate level of diversity in the Boardroom. The Nominations Committee considers diversity generally when making appointments to the Board, taking into account relevant skills, experience, knowledge and gender. Our prime responsibility, however, is the strength of the Board and our overriding aim in making any new appointments must always be to select the best candidate. Currently the Board comprises of six Directors, five male and one female. The Company has no employees and, therefore, there is nothing further to report in respect of gender representation within the Company.

For and on behalf of the Board

Philip Remnant CBE
Chairman
17 September 2015

Strategic Report: Glossary

Alternative Investment Fund Managers Directive (“AIFMD”)

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (“AIFs”) and requires them to appoint an Alternative Investment Fund Manager (“AIFM”) and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Association of Investment Companies (“AIC”)

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

Benchmark

A measure against which performance is compared. For the Company this is the size weighted average of the AIC UK Equity Income sector.

Custodian

The Custodian is responsible for ensuring the safe custody of the Company's assets and ensuring that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

With effect from 22 July 2014 all AIFs were required to appoint a Depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

Dividend Dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

Gearing

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans or overdrafts) the Company has used to invest in the market, and is calculated by taking the difference between total investments and equity shareholders' funds, dividing this by equity shareholders' funds and multiplying by 100. The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

Investment Trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Net Asset Value (“NAV”) Per Ordinary Share

The value of the Company's assets (e.g. investments and cash held) less any liabilities (e.g. bank borrowings and debt securities) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Balance Sheet.

The NAV is published daily.

Strategic Report: Glossary (continued)

Market Capitalisation

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

Ongoing Charge

The Ongoing Charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. The Ongoing Charge is based on actual costs incurred in the year as being the best estimate of future costs.

Premium/Discount

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

Total Return Performance

This is the return on the share price or NAV taking into account both the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return).

Yield

The annual dividend expressed as a percentage of the share price.

Warning to shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please contact the Company Secretary on the telephone number detailed on page 17.

Corporate Report



Report of the Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 July 2014 to 30 June 2015. The City of London Investment Trust plc ("the Company") (registered in England & Wales on 26 September 1891 with company registration number 34871) was active throughout the year under review and was not dormant.

Directors' Remuneration and Shareholdings

The Directors' Remuneration Report on pages 26 and 27 provides information on the remuneration and interests of the Directors.

Fund Manager's Interests

Job Curtis, the Fund Manager, has a beneficial interest in 107,395 and a non-beneficial interest in 24,937 shares.

Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts"). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively.

Related Party Transactions

The Company's transactions with related parties in the year were with the Directors and Henderson. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 26.

In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services, there have been no material transactions with Henderson affecting the financial position of the Company during the year under review. More details on transactions with Henderson, including amounts outstanding at the year end, are given in note 26 on page 57.

Share Capital

There are no restrictions on the transfer of the Company's share capital and there are no shares or stock which carry specific rights with regards to control of the Company.

The Company's equity and non-equity share capital comprises:

Ordinary shares of 25p nominal value each

The voting rights of the ordinary shares on a poll are one vote for every 15 shares held. At the beginning of the year, there were 284,809,868 ordinary shares in issue. During the year, 22,875,000 shares (representing 8.0% of the number of shares in issue at the beginning of the year) were issued to Cenkos Securities plc at a price range of 356.3p – 415.1p for total proceeds (net of commissions) of £86,864,000. At 30 June 2015 the number of ordinary shares in issue (with voting rights) was 307,684,868.

Since 30 June 2015 and up to 15 September 2015, being the last practicable date prior to publication of the Annual Report, a further 8,800,000 ordinary shares have been issued for a total consideration of £33,974,000. The number of shares in issue at the date of this report is 316,484,868.

Cumulative first preference stock

The voting rights of the first preference stock on a poll are one vote per £10 of stock held. At 1 July 2014 and at 30 June 2015 there was £301,982 of first preference stock in issue.

Non-cumulative second preference stock

Second preference stockholders have no rights to attend and vote at general meetings (except on the winding-up of the Company or if dividends are in arrears). At 1 July 2014 and at 30 June 2015 there was £507,202 of second preference stock in issue.

Non-cumulative preferred ordinary stock

The voting rights of the preferred ordinary stock on a poll are one vote per £20 of stock held. At 1 July 2014 and at 30 June 2015 there was £589,672 of preferred ordinary stock in issue.

Further details on the first and second preference stock and the preferred ordinary stock (together the "Preferred Stock") are contained in note 15 on page 50.

The Directors seek annual authority from the shareholders to allot new ordinary shares, to dis-apply the pre-emption rights of existing shareholders, and to buy back for cancellation or to be held in treasury the Company's ordinary shares. In addition, the Directors seek annual authority to buy back and cancel the Company's preferred and preference stocks. At the Annual General Meeting ("AGM") on 27 October 2014 the Directors were granted authority to repurchase 43,386,286 ordinary shares (with a nominal value of £10,846,571) for cancellation or to be held in treasury. The Directors have not bought back any shares and therefore at the date of this report the Directors have remaining authority to repurchase 43,386,286 shares. This authority will expire at the conclusion of the AGM in October 2015, when a new authority will be sought. The Directors believe that, from time to time and subject to market conditions, it will continue to be in the shareholders' interests to buy back the Company's shares when they are trading at a discount to the underlying net asset value per share. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders.

At the AGM in 2014 Directors were also granted authority to repurchase the first and second preference stock and the preferred ordinary stock. The Directors have not bought back any of the preference or preferred stock during the year.

Report of the Directors (continued)

Holdings in the Company's Shares

There are no declarations of interests in the voting rights of the Company as at 30 June 2015 in accordance with the UK Listing Authority's Disclosure and Transparency Rules.

No changes have been notified in the period 1 July 2015 to 17 September 2015.

At 30 June 2015, 11.78% of the issued ordinary shares were held on behalf of participants in the Halifax Share Dealing products run by Halifax Share Dealing Limited ("HSDL"). In accordance with arrangements made between HSDL and Henderson the participants in this scheme are given the opportunity to instruct HSDL's nominee company to exercise the voting rights appertaining to their shares in respect of all General Meetings of the Company.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. In reviewing the position as at the date of this report, the Board has considered the "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", published by the Financial Reporting Council in October 2009.

Annual General Meeting ("AGM")

The AGM will be held on Friday 23 October 2015 at 2.30 pm at the Company's registered office. The Notice of Meeting and details of the resolutions to be put at the AGM are contained in the separate circular being sent to shareholders with this Report.

Corporate Governance

The Corporate Governance Statement set out on pages 28 to 30 forms part of the Report of the Directors.

Directors' Statement as to Disclosure of Information to Auditors

Each of the Directors who is a member of the Board at the date of approval of this Report confirms that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditors are unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

Global Greenhouse Gas Emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 30 June 2015 (2014: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information of which is detailed on page 23 under Share Capital.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
17 September 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report (which must be fair, balanced and understandable), the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company financial statements in accordance with UK Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Statement under DTR 4.1.12

Each of the Directors, who are listed on page 16, confirms that, to the best of his or her knowledge:

- the Company's financial statements, which have been prepared in accordance with UK Accounting Standards on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board of Directors.

Philip Remnant CBE
Chairman
17 September 2015

The financial statements are published on the website www.cityinvestmenttrust.com.

The maintenance and integrity of the website is the responsibility of Henderson; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have

occurred to the Annual Report since it was initially presented on the website.

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

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"). The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the Annual General Meeting ("AGM") on 23 October 2015. The Company's remuneration policy was approved by shareholders at the AGM in 2014 in accordance with section 439A of the Act. No changes to the policy are currently proposed.

The Company's Auditors are required to report on certain information contained within this report; where information set out below has been audited, it is indicated as such.

All Directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board as a whole considers the Directors' remuneration in line with the Remuneration Policy, no separate Remuneration Committee has been established. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

Remuneration Policy

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. The Company's policy is that the fees should reflect the time spent on the Company's affairs and the responsibilities borne by the Directors and be sufficient to promote the long-term success of the Company. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as is the Chairman of the Audit Committee. The policy is to review fee rates annually, although such review will not necessarily result in any change to the rates, and account is taken of fees paid to directors of other investment trust companies.

No Director has a service contract with the Company. There are no set notice periods, a Director may resign by notice in writing to the Board at any time and no compensation is payable for loss of office. No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

This policy is unchanged and will remain in place until the Annual General Meeting in 2017 unless it is amended by way of ordinary resolution put to shareholders in a General Meeting. The Board may amend the level of remuneration paid to individual Directors within the parameters of the Remuneration Policy.

Annual Statement

As Chairman, Philip Remnant reports that the Directors' fees were increased with effect from 1 January 2015. The increases were made after consideration of the fees paid to other investment trusts in the peer group, other sectors and the Henderson managed investment trusts. These increases were to ensure that the Directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new directors. There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

Annual Report on Remuneration

Directors' interests in shares (audited)

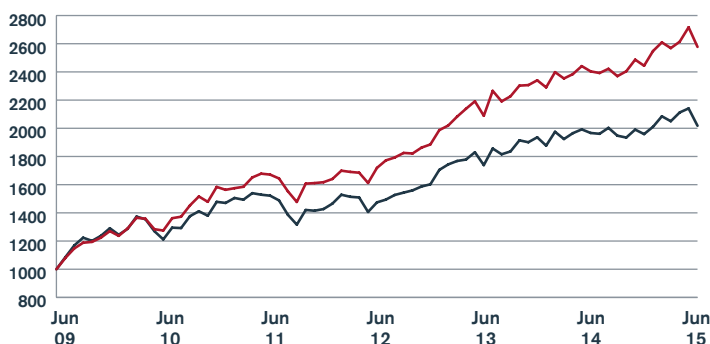
Beneficial:	Ordinary shares of 25p	
	30 June 2015	1 July 2014
Simon Barratt	9,627	9,627
David Brief	9,985	9,985
Richard Hextall	4,000	4,000
Martin Morgan	23,900	23,900
Philip Remnant	65,720	65,720

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the Directors' holdings in the period 1 July 2015 to the date of this report. Samantha Wren, who was appointed to the Board subsequent to the year end, does not hold any shares.

No Director has any interests in the preference or preferred stock of the Company.

Performance

The Directors' Remuneration Report regulations require the Company to measure its performance against a "broad equity market index" on a total return basis. Therefore, the Company is not permitted to measure performance against its benchmark, the AIC UK Equity Income sector. In this report the FTSE All-Share Index has been selected as the most appropriate market index for the Company's portfolio.



— City of London share price total return, assuming the investment of £1,000 on 30 June 2009 and the reinvestment of all dividends (excluding dealing expenses).

— FTSE All-Share Index total return, assuming the notional investment of £1,000 on 30 June 2009 and the reinvestment of all income (excluding dealing expenses).

Sources: Morningstar for the AIC and Datastream

Directors' Remuneration Report (continued)

Directors' fees and expenses (audited)

The fees and expenses paid to the Directors who served during the year ended 30 June 2015 and 30 June 2014 were as follows:

	Year ended 30 June 2015 Total salary and fees £	Year ended 30 June 2014 Total salary and fees £	Year ended 30 June 2015 Total expenses and taxable benefits £	Year ended 30 June 2014 Total expenses and taxable benefits £	Year ended 30 June 2015 Total £	Year ended 30 June 2014 Total £
Simon Barratt	26,260	25,500	–	–	26,260	25,500
David Brief	26,260	25,500	625	213	26,885	25,713
Richard Hextall ²	30,300	29,500	–	–	30,300	29,500
Martin Morgan	26,260	25,500	–	–	26,260	25,500
Philip Remnant ¹	40,400	39,250	–	–	40,400	39,250
Total	149,480	145,250	625	213	150,105	145,463

Notes:

The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay and pension related payments were made.

¹ Chairman and highest paid Director

² Chairman of the Audit Committee and Senior Independent Director

Since 1 January 2015 the fees increased as follows (previous rates are shown in brackets): Chairman £40,800 (£40,000) per annum, Chairman of the Audit Committee £30,600 (£30,000) per annum and other Directors £26,520 (£26,000) per annum.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties.

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared with the distributions to shareholders by way of dividends. There were no share buybacks during the year. There were no other significant distributions, payments or other uses of the Company's net return or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	2015 £	2014 £	Change £
Total remuneration	150,105	145,463	4,642
Ordinary dividend paid	44,890,015	39,611,754	5,278,261

Statement of Voting at AGM

At the 2014 AGM 3,286,446 votes (97.7%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 45,844 (1.4%) were against, 32,241 (0.9%) were discretionary and 11,951 were withheld; the percentage of votes excludes votes withheld. In relation to the approval of the remuneration policy, 3,286,277 votes (97.7%) were received voting for the resolution, 45,246 (1.3%) were against, 32,241 (1.0%) were discretionary and 13,008 were withheld.

For and on behalf of the Board

Philip Remnant CBE
Chairman
17 September 2015

Corporate Governance Statement

Applicable Corporate Governance Codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ("FRC") in September 2012 are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2013 ("the AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("the AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that, by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The Board has noted that the FRC and the AIC have issued revised codes which the Company will be required to report against next year.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: www.theaic.co.uk and www.frc.org.uk.

Statement of Compliance

The Directors believe that the company has complied with the recommendations of the AIC Code during the year under review and up to the date of this report, and thereby the provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the Company as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations.

Directors

Board Composition

The Articles of Association provide that the total number of Directors shall not be less than three nor more than seven; the Board currently consists of six non-executive Directors. All served throughout the year under review with the exception of Samantha Wren who was appointed on 1 September 2015. The biographies of the Directors holding office at the date of this report, which are set out on page 16, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors.

Directors' Appointment and Retirement

The Board may appoint Directors to the Board and any Director so appointed must stand for election by the shareholders at the AGM following appointment, in accordance with the Articles of Association.

All Directors are appointed for an initial term of three years. The Articles of Association require one-third (or the number nearest to one-third) of the Directors to retire by rotation at each AGM. However, the UK Code and the AIC Code require all directors of FTSE 350 companies to retire annually. All the current Directors will therefore retire and, being eligible, have all stated that they will offer themselves for re-election.

Under the Articles of Association, shareholders may remove a Director before the end of his term by passing an ordinary resolution at a meeting.

Board Independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in July 2015, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. Richard Hextall is the Company's Senior Independent Director. There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

Directors' Professional Development

When a new Director is appointed he or she receives an induction seminar which is held by Henderson at the request of the Chairman. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars. Directors' individual training requirements are considered as part of the annual evaluation process which is led by the Chairman of the Board.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover is in place in respect of the Directors. Under the Company's Articles of Association and subject to the provisions of UK legislation, a qualifying third party provision indemnity may be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. No indemnity was given during the year or up to the date of this report.

The Board

Responsibilities of the Board and its Committees

During the year seven Board meetings were held to deal with the important aspects of the Company's affairs. The Board has a formal schedule of matters specifically reserved for its decision, which include management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price premium/discount, contracts, investment policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments.

The Board is responsible for the approval of the annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects.

Corporate Governance Statement (continued)

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which Henderson has discretion to act. The Board has responsibility for the approval of any investments in in-house funds managed or advised by Henderson. It also has adopted a procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

The Board has two Committees: the Audit Committee and the Nominations Committee. The terms of reference for these Committees are available on the Company's website (www.cityinvestmenttrust.com) or via the Corporate Secretary.

The Board has not formed a Management Engagement Committee as it remains the role of the Board as a whole to keep under review the terms of the management agreement between the Company and Henderson. A separate Remuneration Committee has not been established as the Board consists of only non-executive Directors and the Board as a whole considers the Directors' remuneration in line with the Remuneration Policy set out on page 26, which is subject to periodic shareholder approval.

Audit Committee

The Audit Committee is chaired by Richard Hextall. The other members of the Committee are David Brief, Simon Barratt and Samantha Wren. The Report of the Audit Committee which forms part of the Corporate Governance Statement, can be found on pages 31 and 32.

Nominations Committee

All Directors are members of the Nominations Committee. The Chairman of the Board acts as Chairman of the Committee but would not chair the Committee when the Chairman's successor was being considered. The Committee is responsible for reviewing Board succession planning, the performance of the Board as a whole and the Board Committees, and the appointment of new Directors.

When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience and diversity including gender existing on the Board and will recommend when the recruitment of additional non-executive Directors is required. Given the size of the Board it is not considered appropriate to have set targets in relation to diversity. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up and each Director is invited to submit nominations and these are considered in accordance with the Board's agreed procedures. The Committee may also use external agencies as and when the requirement to recruit an additional Board member becomes necessary, and did so in relation to the appointment of Samantha Wren, when Norman Broadbent, who have not provided any other services to the Company, were engaged.

The Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Committee also takes into account the mix of skills and experience of the current Board members. In accordance with the AIC Code any Director serving for longer than six years would be subject to particularly rigorous assessment of his/her contribution.

Performance Evaluation

The Directors recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees and individual Directors. During the year, the Directors undertook a review of the Board structure, including an evaluation of the performance of the Board, the Committees and of individual Directors. The appraisal of the Chairman was led by Richard Hextall. The evaluation for the current year was undertaken internally. The evaluation concluded that the Board has a good balance of skills and experience and the Chairman continues to provide effective leadership.

The Company is obliged to engage an external facilitator for Board evaluation every three years. An external review was carried out by Lintstock Limited in 2013, who are unconnected to the Company.

Board attendance

The table below sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each Director. All Directors attended the AGM in October 2014.

	Board	Audit Committee	Nominations Committee
Number of meetings	7	3	1
Simon Barratt	7	3	1
David Brief	7	3	1
Richard Hextall	7	3	1
Martin Morgan	7	–	1
Philip Remnant	7	–	1

Samantha Wren was appointed to the Board after the year end.

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Board.

The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 June 2015. During the course of its review of internal controls, the Board has not identified or been advised of any failings or weaknesses that have been determined as significant.

Henderson has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by Henderson's compliance and risk department on a continuing basis. The Board receives a formal report from Henderson each quarter detailing the steps taken to monitor the areas of risk, including those that are not directly the responsibility of Henderson, and which reports the details of any known internal control failures. Each year the Board receives from Henderson a report on its internal controls which includes a report from Henderson's Auditors on the control policies and procedures in

Corporate Governance Statement (continued)

operation. Steps will continue to be taken to embed the system of internal control and risk management into the operation and culture of the Company and its key suppliers.

Accountability and Relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 25, the Independent Auditors' Report on pages 33 to 37 and the statement of going concern on page 24.

The Board has delegated contractually to external third parties, including Henderson, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the depository as explained on page 20), the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from Henderson and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

Henderson takes decisions as to the purchase and sale of individual investments. Henderson also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Henderson attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board and Henderson operate in a supportive, co-operative and open environment.

Henderson and BNP Paribas Securities Services, which acts for Henderson, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

The Board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011, and confirmed its zero tolerance to bribery and corruption in its business activities. It has received assurances from the Company's main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

Continued Appointment of Henderson

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with Henderson are contained on page 4.

The Board reviews investment performance at each Board meeting and a formal review of Henderson is conducted annually. As part of

the annual review in July 2015 the Directors discussed the quality and continuity of the personnel assigned to handle the Company's affairs, with particular reference to performance and results achieved to date. In addition, they reviewed other services provided by Henderson to the Company, such as accounting, company secretarial and administration services, and Henderson's promotion of investment and savings products linked to the Company's shares. The Board noted Henderson's resources and experience in managing and administering investment trust companies. As a result of their annual review, it is the opinion of the Directors that the continued appointment of Henderson on the terms agreed is in the interests of the Company's shareholders as a whole.

Share Capital

Please see the Report of the Directors on pages 23 and 24.

Relations with Shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the NAV per share at the London and New Zealand Stock Exchanges and a monthly fact sheet which is available on the website. Henderson also provides information on the Company and Fund manager videos are on the website, via various social media channels and through its HGI content platform, more details of which are on page 17.

The Board considers that shareholders should be encouraged to attend and participate in the AGM, which for the first time will also be available to watch live by visiting www.henderson.com/trustslive. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other Directors at the meeting and the Fund Manager will make a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. It is the intention of the Board that the Annual Report and Notice of AGM be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also included on the website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time, are invited to do so by writing to the Chairman at the address given on page 17.

General presentations to both shareholders and analysts follow the publication of the annual results. All meetings between Henderson and shareholders are reported to the Board.

New Zealand Listing

It should be noted that the UK Codes of Corporate Governance may materially differ from the New Zealand Stock Exchange's corporate governance rules and principles of the Corporate Best Practice Code.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
17 September 2015

Report of the Audit Committee

The Audit Committee is chaired by Richard Hextall who is a Chartered Accountant. The other members of the Committee are David Brief, an experienced pensions investment professional, Simon Barratt, an experienced lawyer, and Samantha Wren, a Chartered Management Accountant.

Meetings

The Committee met three times during the year under review. The Company's Auditors are invited to attend meetings of the Committee on a regular basis. Representatives of Henderson and BNP Paribas Securities Services may also be invited to attend if deemed necessary.

Role and Responsibilities

The role of the Committee is to assist the Board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the Auditors. The Audit Committee formally reports to the Board. The Committee's responsibilities are set out in formal terms of reference which are reviewed at least annually. In the year under review the main duties undertaken were:

- consideration of the appropriateness of the Company's accounting policies;
- a review of the half year results and the annual report, including the disclosures made therein in relation to internal controls and risk management, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy in order to make recommendations to the Board. In assessing whether the report is fair, balanced and understandable, each Director reviewed the disclosures made, applying their respective knowledge and expertise;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Henderson;
- consideration of the internal controls in place at Henderson and BNP Paribas Securities Services as administrator, and Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Henderson's internal audit and risk departments periodically;
- consideration of the whistle blowing policy that Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's anti-bribery policy;
- consideration of whether there is a need for an internal audit function in order to make a recommendation to the Board;
- consideration of the nature and scope of the external audit and the findings therefrom;

- consideration of the Auditors' independence and objectivity and the effectiveness of the audit process; and
- consideration of the appointment of the Auditors, the Auditors' performance and remuneration.

Policy on Non-Audit Services

The Committee has formulated a policy on the provision of non-audit services by the Company's appointed Auditors and has determined that they will never be considered for the provision of services related to accounting and preparation of the financial statements, internal audit, custody, tax advice to Directors and tax calculations to support the financial statements. The Auditors may, if required, provide non-audit services related to a review of the Company's half year report, with all other non-audit services being judged on a case-by-case basis subject to approval by a member of the Committee. There were no non-audit services provided during the year.

Audit Tendering

As a Public Interest Entity listed on the London Stock Exchange, the Company will in future be subject to the mandatory auditor rotation requirements of the European Union. Subject to the detailed implementation of the European requirements in the UK, this is likely to mean that the Company will put the external audit out to tender at least every ten years, and change auditors at least every twenty years. The Committee will, however, continue to consider annually the need to go to tender for audit quality or independence reasons.

PricewaterhouseCoopers LLP have been the Company's Auditors since 2009. During the financial year ended 30 June 2014 the Company tendered its audit. The tender was conducted on an integrated basis with Henderson and, upon consideration of the tenders received, the Board decided to reappoint PricewaterhouseCoopers LLP.

External Audit, Review and Auditors Reappointment

The Committee discuss the audit process with the Auditors without representatives of Henderson present and consider the effectiveness of the audit process after each audit. The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP. The Committee is satisfied that the Auditors are independent of the Company. The Auditors are required to rotate partners every five years and this is the second year that the current partner has been in place.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to confirm the appointment of PricewaterhouseCoopers LLP as Auditors to the Company, and to authorise the Audit Committee to determine their remuneration, will be proposed at the AGM.

Fees paid or payable to the Auditors are detailed in note 6 on page 46.

Report of the Audit Committee (continued)

Audit for the year ended 30 June 2015

In relation to the Annual Report for the year ended 30 June 2015 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	<p>The Directors have appointed Henderson to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Henderson has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Ownership of listed investments are verified by reconciliation to the Custodian's records and the Directors have received quarterly reports of the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation.</p>
Recognition of income	<p>Income received, particularly special dividends, are accounted for in line with the Company's accounting policy (as set out on pages 42 and 43). Special dividends, and their treatment as income or capital, have been reviewed by the Committee and agreed.</p>

The Committee is satisfied that the Annual Report for the year ended 30 June 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Richard Hextall
 Audit Committee Chairman
 17 September 2015

Independent Auditors' Report to the Members of The City of London Investment Trust plc

Report on the financial statements

Our opinion

In our opinion, The City of London Investment Trust plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The City of London Investment Trust plc's financial statements comprise:

- the Balance Sheet as at 30 June 2015;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview



- Overall materiality: £11.8 million which represents 1% of net assets.

- The Company is a standalone Investment Trust Company and engages Henderson Investment Funds Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from BNP Paribas Securities Services (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

- Valuation and existence of investments
- Dividend income

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p>Valuation and existence of investments Refer to page 32 (Report of the Audit Committee), page 42 (Accounting Policies) and page 48 (Notes).</p> <p>The investment portfolio at the year-end comprised listed equity investments valued at £1,259.3 million.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.</p>	<p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance.</p> <p>We tested the existence of the investment portfolio by agreeing the holdings to an independent custodian confirmation from HSBC Bank plc. No differences were identified by our testing which required reporting to those charged with governance.</p>
<p>Dividend income Refer to page 32 (Report of the Audit Committee), page 42 (Accounting Policies) and page 45 (Notes).</p> <p>We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP").</p> <p>This is because incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.</p>	<p>We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy.</p> <p>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.</p> <p>We understood and assessed the design and implementation of relevant controls surrounding income recognition.</p> <p>We tested dividend receipts by agreeing the dividend rates from investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance.</p> <p>To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by investment holdings in the portfolio. Our testing did not identify any unrecorded dividends.</p> <p>We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the validity of special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.</p>

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the Company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the Company operates.

The Company's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Manager and the Directors.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. We then identified those relevant controls at the Administrator on which we could place reliance to provide audit evidence.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£11.8 million (2014: £10.7 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £594,000 (2014: £537,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 24, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> ▪ information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or – otherwise misleading. 	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> ▪ the statement given by the Directors on page 25, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit. 	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> ▪ the section of the Annual Report on page 31, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 September 2015

Income Statement

for the year ended 30 June

Notes		Year ended 30 June 2015			Year ended 30 June 2014		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
2	Gains on investments held at fair value through profit or loss	–	28,010	28,010	–	93,811	93,811
3	Income from investments held at fair value through profit or loss	54,171	–	54,171	44,972	–	44,972
4	Other interest receivable and similar income	302	–	302	605	–	605
	Gross revenue and capital gains	54,473	28,010	82,483	45,577	93,811	139,388
5	Management fees	(1,254)	(2,926)	(4,180)	(1,115)	(2,602)	(3,717)
6	Other administrative expenses	(653)	(5)	(658)	(601)	–	(601)
	Net return on ordinary activities before finance charges and taxation	52,566	25,079	77,645	43,861	91,209	135,070
7	Finance charges	(1,836)	(3,917)	(5,753)	(1,735)	(3,681)	(5,416)
	Net return on ordinary activities before taxation	50,730	21,162	71,892	42,126	87,528	129,654
8	Taxation on net return on ordinary activities	(604)	–	(604)	(428)	–	(428)
	Net return on ordinary activities after taxation	50,126	21,162	71,288	41,698	87,528	129,226
9	Return per ordinary share basic and diluted	16.84p	7.11p	23.95p	15.33p	32.19p	47.52p

The total columns of this statement represent the Profit and Loss Account of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. The Company has no recognised gains or losses other than those recognised in the Income Statement. There is no material difference between the net return on ordinary activities before taxation and the net return for the financial year stated above and their historical cost equivalents.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 June

Notes	Year ended 30 June 2015	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 July 2014	71,202	265,004	2,707	703,217	33,120	1,075,250
17	Net return on ordinary activities after taxation	–	–	–	21,162	50,126	71,288
	Issue of 22,875,000 new ordinary shares	5,719	81,145	–	–	–	86,864
10	Dividends paid	–	–	–	–	(44,890)	(44,890)
	At 30 June 2015	76,921	346,149	2,707	724,379	38,356	1,188,512
	Year ended 30 June 2014	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 July 2013	64,496	172,471	2,707	615,689	31,034	886,397
17	Net return on ordinary activities after taxation	–	–	–	87,528	41,698	129,226
	Issue of 26,825,000 new ordinary shares	6,706	92,533	–	–	–	99,239
10	Dividends paid	–	–	–	–	(39,612)	(39,612)
	At 30 June 2014	71,202	265,004	2,707	703,217	33,120	1,075,250

Balance Sheet

at 30 June

Notes		2015 £'000	2014 £'000
11	Investments held at fair value through profit or loss		
	Listed at market value in the United Kingdom	1,127,209	1,026,603
	Listed at market value overseas	132,106	124,874
12	Investment in subsidiary undertakings	347	347
		1,259,662	1,151,824
	Current assets		
13	Debtors	7,243	7,073
	Cash at bank	3,150	2,929
		10,393	10,002
14	Creditors: amounts falling due within one year	(5,575)	(10,639)
	Net current assets/(liabilities)	4,818	(637)
	Total assets less current liabilities	1,264,480	1,151,187
15	Creditors: amounts falling due after more than one year	(75,968)	(75,937)
	Net assets	1,188,512	1,075,250
	Capital and reserves		
17	Called up share capital	76,921	71,202
18	Share premium account	346,149	265,004
19	Capital redemption reserve	2,707	2,707
19	Other capital reserves	724,379	703,217
20	Revenue reserve	38,356	33,120
21	Total shareholders' funds	1,188,512	1,075,250
21	Net asset value per ordinary share – basic and diluted	386.28p	377.53p

The financial statements on pages 38 to 57 were approved by the Board of Directors on 17 September 2015 and signed on its behalf by:

Philip Remnant CBE
Chairman

Cash Flow Statement

for the year ended 30 June

Notes		2015		2014	
		£'000	£'000	£'000	£'000
23	Net cash inflow from operating activities		47,647		41,303
	Servicing of finance				
	Debt interest paid	(5,510)		(4,265)	
	Bank and loan interest paid	(73)		(289)	
	Dividends paid on preference and preferred ordinary stocks	(157)		(157)	
	Net cash outflow from servicing of finance		(5,740)		(4,711)
	Taxation				
	Withholding tax recovered	241		215	
	Net tax recovered		241		215
	Financial investment				
	Purchases of investments	(192,423)		(162,184)	
	Sales of investments	113,912		57,765	
	Net cash outflow from financial investment		(78,511)		(104,419)
	Equity dividends paid		(44,890)		(39,612)
	Net cash outflow before financing		(81,253)		(107,224)
	Financing				
	Proceeds from issue of ordinary shares	87,808		100,013	
	Issue of 4.53% secured notes	–		35,000	
	Issue costs paid in respect of the 4.53% secured notes	–		(449)	
	Repayment of 11.5% debenture stock 2014	(6,000)		–	
	Net cash inflow from financing		81,808		134,564
24,25	Increase in net cash		555		27,340

Notes to the Financial Statements

1 Accounting policies

Basis of accounting

The City of London Investment Trust plc (the "Company") is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006.

The financial statements have been prepared in accordance with the Companies Act 2006 on a going concern basis and under the historical cost basis of accounting, as modified to include the revaluation of investments and derivative financial instruments at fair value through profit or loss. The financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice ("the SORP") for investment trusts issued by the Association of Investment Companies ("the AIC") in January 2009. The Company's subsidiaries, (as detailed in note 12) are dormant and immaterial and therefore consolidated financial statements are not produced. The Company's accounting policies are consistent with the prior year.

Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

Valuation of investments

Listed investments are valued at fair value deemed to be bid market prices or the last traded price depending on the convention of the exchange on which the investment is quoted.

Unquoted investments (including the Company's investments in subsidiary undertakings) are valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. Where fair value cannot reliably be measured the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired, in which case the value will be reduced. The Company's subsidiaries are valued at the net asset value according to their latest financial statements.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "Gains/(losses) on investments held at fair value through profit or loss". Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Income Statement. All purchases and sales are accounted for on a trade date basis.

Foreign currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional currency and presentation currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to capital or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of the Directors, the dividend is capital in nature in which case it is taken to the capital return. Bank interest and stock lending revenue are accounted for on an accruals basis.

The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue. Any enhancement above the cash dividend is treated as capital.

Where the Company enters into a commitment to underwrite an issue of securities in exchange for the receipt of commission, this creates a derivative financial instrument. Any such derivatives are recognised initially at fair value and are subsequently re-measured at fair value, with the related gains and losses being reflected in the Income Statement. Net losses arising from these derivatives, where the actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

return. Net gains are allocated to the revenue return. Fees earned from stock lending are accounted for on an accruals basis and shown in the revenue return based on amounts to which the Company is entitled. This is after deduction of amounts withheld by the counterparty arranging the stock lending facility.

The accounting for option premium income is dealt with on page 44, under 'Derivative financial instruments'.

Management and administrative expenses and finance charges

All expenses and finance charges are accounted for on an accruals basis. In accordance with the Board's expectation, over the long term, that investment returns will be attributable 70% to capital and 30% to revenue, the Company charges to capital 70% of the finance charges (excluding dividends payable on the preference and preferred ordinary stocks) and management fees with the remaining 30% being charged to revenue.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Borrowings

Overdrafts, debentures and secured notes are recorded initially at fair value, being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance charges, including interest payable, premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Preference stocks

Under FRS 25 preference and preferred ordinary stocks are classified as debt. The dividends associated with the preference and preferred ordinary stocks are charged fully to the Company's revenue return within finance charges.

Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Reconciliation of Movements in Shareholders' Funds.

Issue and repurchase of ordinary shares and associated costs

The proceeds from the issue of new ordinary shares (including those relating to the sale of shares out of treasury) and the aggregate cost of repurchasing ordinary shares (including those to be held in treasury) are taken directly to equity and dealt with in the Reconciliation of Movements in Shareholders' Funds. Issue costs incurred in respect of new ordinary shares are offset against the proceeds received and dealt with in the share premium account. Issue costs incurred in respect of shares sold out of treasury are offset against proceeds received and dealt with in other capital reserves. Share issue and repurchase transactions are accounted for on a trade date basis.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Capital reserves

Capital reserve arising on investments sold

The following are accounted for in this reserve:

- gains and losses on the disposals of investments;
- expenses and finance costs allocated to capital net of tax relief;
- realised foreign exchange differences of a capital nature; and
- costs of repurchasing ordinary share capital.

Capital reserve arising on revaluation of investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

Derivative financial instruments

Derivative transactions which the Company may enter into comprise forward exchange contracts (the purpose of which is to hedge foreign currency exposure) and futures contracts on indices appropriate to sections of the portfolio (one purpose for which may be to provide protection against falls in the capital values of the holdings). The Company may also write options on shares represented in the portfolio where such options are priced attractively relative to Henderson's expectations for the relevant share prices and to generate additional return for shareholders. The Company does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Company's policies as approved by the Board.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Income Statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the Income Statement.

Where options are written for the purpose of generating revenue, applicable premiums are recognised evenly over the life of the option and shown in the revenue return, with the appropriate amount shown as capital return such that the total return reflects the overall change in the fair value of the option.

2 Gains on investments held at fair value through profit or loss

	2015 £'000	2014 £'000
Gains on the sale of investments based on historical cost	26,228	21,307
Revaluation gains recognised in previous years	(34,326)	(11,358)
(Losses)/gains on investments sold in the year based on the carrying value at the previous balance sheet date	(8,098)	9,949
Revaluation of investments held at 30 June	36,442	83,816
Exchange (losses)/gains	(334)	46
Total gains from investments held at fair value through profit or loss	28,010	93,811

Notes to the Financial Statements (continued)

3 Income from investments held at fair value through profit or loss

	2015 £'000	2014 £'000
Franked UK dividends:		
Listed – ordinary dividends	39,883	35,800
Listed – special dividends	4,210	1,293
	44,093	37,093
Unfranked – listed investments:		
Dividend income – overseas investments	7,997	6,036
Dividend income – UK REIT	1,581	1,285
Scrip dividends	500	125
Fixed interest income	–	433
	10,078	7,879
	54,171	44,972

4 Other interest receivable and similar income

	2015 £'000	2014 £'000
Bank interest	1	5
Underwriting commission (allocated to revenue) ¹	106	215
Stock lending revenue	195	254
Option premium income ²	–	131
	302	605

1 During the year the Company was not required to take up shares in respect of its underwriting commitments (2014: none).

2 Options were mainly written against low or zero dividend yielding holdings, which would not normally form part of the portfolio. These transactions had no material impact on the capital account of the Company.

During the prior year, the Company sold (or wrote) call options for the purpose of generating revenue income. No options were sold (or written) in the current year. In accordance with the SORP, the premiums received are recognised in the revenue return shown in the Income Statement evenly over the life of the option with an appropriate amount taken to the capital account such that the total return reflects the change in fair value of the options. The Company received total premiums of £nil (2014: £77,000) from this activity during the year of which £nil was recognised as revenue in the year ended 30 June 2015 (2014: £77,000). In the previous year, revenue of £54,000 not recognised in 2013 was recognised giving total option premium income of £131,000. There was no such revenue in the current year.

At 30 June 2015 the total value of securities on loan by the Company for stock lending purposes was £31,221,000 (2014: £13,947,000). The maximum aggregate value of securities on loan at any one time during the year ended 30 June 2015 was £98,988,000 (2014: £102,980,000). The Company's agent holds collateral at 30 June 2015, with a value of £32,784,000 (2014: £14,645,000) in respect of securities on loan, the value of which is reviewed on a daily basis and comprises CREST Delivery By Value ("DBVs") and Government Bonds with a market value of 105% (2014: 105%) of the market value of any securities on loan.

5 Management fees

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	1,254	2,926	4,180	1,115	2,602	3,717

A summary of the terms of the Management Agreement is given on page 4. Details of apportionment between revenue and capital can be found in note 1 on page 43.

Notes to the Financial Statements (continued)

6 Other administrative expenses (including irrecoverable VAT)

	2015 £'000	2014 £'000
Directors' fees and expenses (see Directors' Remuneration Report on page 27)	150	145
Auditors' remuneration – for statutory audit services	28	28
Marketing	60	93
Bank charges (loan facility fees)	15	15
Annual and Half Year Reports	64	68
Registrar's fees	91	90
AIC	21	24
Listing fees	72	55
Advisory and consultancy fees	53	17
Depository fees ¹	55	–
Other expenses	44	66
Expenses charged to income	653	601
Expenses charged to capital ²	5	–
	658	601

1 Depository appointed on 22 July 2014 to meet the requirements of AIFMD.

2 The capital expenses incurred relate to the redemption of the 11½% debenture stock 2014.

All transactions with Directors are disclosed in the Directors' Remuneration Report and are related party transactions.

All the above expenses include VAT where VAT is applied to them.

7 Finance charges

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Interest on debentures and secured notes repayable wholly or partly						
– between one and five years	411	959	1,370	207	483	690
– after five years	1,243	2,897	4,140	1,280	2,986	4,266
Amortisation of secured notes						
Issue costs	8	22	30	4	10	14
Issue costs written back	(5)	(12)	(17)	–	–	–
Bank overdraft interest	22	51	73	87	202	289
Dividends per share:						
– Cumulative First Preference Stock	18	–	18	18	–	18
– Non-cumulative Second Preference Stock	21	–	21	21	–	21
– Non-cumulative Preferred Ordinary Stock	118	–	118	118	–	118
	1,836	3,917	5,753	1,735	3,681	5,416

Details of apportionment between revenue return and capital return can be found in note 1 on page 43.

8 Taxation on net return on ordinary activities

Analysis of tax charge for the year

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Overseas withholding tax	873	–	873	646	–	646
Less: overseas withholding tax recoverable	(269)	–	(269)	(218)	–	(218)
	604	–	604	428	–	428

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profit for the accounting year is taxed at an effective rate of 20.75% (2014: 22.5%).

Notes to the Financial Statements (continued)

8 Taxation on net return on ordinary activities (continued)

Factors affecting the tax charge for the year

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Return on ordinary activities before taxation	50,730	21,162	71,892	42,126	87,528	129,654
Corporation tax at 20.75% (2014: 22.5%)	10,526	4,391	14,917	9,478	19,694	29,172
Effects of:						
Non-taxable UK dividends	(9,254)	–	(9,254)	(8,346)	–	(8,346)
Non-taxable stock dividends and other income	(1,659)	–	(1,659)	(1,386)	–	(1,386)
Overseas tax suffered	604	–	604	428	–	428
Income taxable in different years	(10)	–	(10)	(1)	–	(1)
Excess management expenses	364	1,421	1,785	219	1,414	1,633
Preference and preferred ordinary dividends not allowable for tax	33	–	33	36	–	36
Other capital gains not subject to tax	–	(5,812)	(5,812)	–	(21,108)	(21,108)
	604	–	604	428	–	428

Investment trusts are exempt from corporation tax on capital gains provided that the Company complies with tests under Section 1158 of the Corporation Tax Act 2010.

Deferred taxation

No provision for deferred taxation has been made in the current or prior accounting year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation and disposal of investments as it is exempt from tax on these items because of its investment trust status.

Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £20,537,000 (2014: £18,818,000) arising as a result of having unutilised management expenses and loan relationship deficits. These expenses will only be utilised, to any material extent, if changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

9 Return per ordinary share – basic and diluted

The return per ordinary share is based on the net return attributable to the ordinary shares of £71,288,000 (2014: £129,226,000) and on 297,668,020 ordinary shares (2014: 271,915,690), being the weighted average number of ordinary shares in issue during the year.

The return per ordinary share is analysed between revenue and capital below:

	2015 £'000	2014 £'000
Net revenue return	50,126	41,698
Net capital return	21,162	87,528
Net total return	71,288	129,226
Weighted average number of ordinary shares in issue during the year	297,668,020	271,915,690

	2015 Pence	2014 Pence
Revenue return per ordinary share	16.84	15.33
Capital return per ordinary share	7.11	32.19
Total return per ordinary share	23.95	47.52

The Company does not have any dilutive securities. Therefore, the basic and diluted returns per share are the same.

Notes to the Financial Statements (continued)

10 Dividends paid on the ordinary shares

	Record date	Payment date	2015 £'000	2014 £'000
Fourth interim dividend (3.63p) for the year ended 30 June 2013	2 August 2013	30 August 2013	–	9,423
First interim dividend (3.63p) for the year ended 30 June 2014	25 October 2013	29 November 2013	–	9,713
Second interim dividend (3.63p) for the year ended 30 June 2014	24 January 2014	28 February 2014	–	9,942
Third interim dividend (3.75p) for the year ended 30 June 2014	2 May 2014	30 May 2014	–	10,551
Fourth interim dividend (3.75p) for the year ended 30 June 2014	1 August 2014	29 August 2014	10,763	–
First interim dividend (3.75p) for the year ended 30 June 2015	24 October 2014	28 November 2014	11,014	–
Second interim dividend (3.75p) for the year ended 30 June 2015	23 January 2015	27 February 2015	11,345	–
Third interim dividend (3.90p) for the year ended 30 June 2015	1 May 2015	29 May 2015	11,816	–
Unclaimed dividends over 12 years old			(48)	(17)
			44,890	39,612

In accordance with FRS 21, dividends are not accrued in the financial statements unless they have been approved by shareholders before the balance sheet date. Interim dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been paid to shareholders.

The total dividends payable in respect of the financial year which form the basis of the test under Section 1158 of the Corporation Tax Act 2010 are set out below.

	2015 £'000	2014 £'000
Revenue available for distribution by way of dividend for the year	50,126	41,698
First interim dividend of 3.75p (2014: 3.63p)	(11,014)	(9,713)
Second interim dividend of 3.75p (2014: 3.63p)	(11,345)	(9,942)
Third interim dividend of 3.90p (2014: 3.75p)	(11,816)	(10,551)
Fourth interim dividend of 3.90p paid on 28 August 2015 ¹ (2014: 3.75p)	(12,119)	(10,763)
Undistributed revenue for Section 1158 purposes²	3,832	729

¹ Based on 310,734,868 ordinary shares in issue at 30 July 2015 (the ex-dividend date) (2014: 287,009,868).

² The surplus of £3,832,000 (2014: surplus of £729,000) has been taken to the revenue reserve.

11 Investments held at fair value through profit or loss

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
2015:			
Valuation at 1 July 2014	347	1,151,477	1,151,824
Investment holding gains at 1 July 2014	–	(426,656)	(426,656)
Cost at 1 July 2014	347	724,821	725,168
Additions at cost	–	193,405	193,405
Disposals at cost	–	(87,685)	(87,685)
Cost at 30 June 2015	347	830,541	830,888
Investment holding gains at 30 June 2015	–	428,774	428,774
Valuation at 30 June 2015	347	1,259,315	1,259,662

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
2014:			
Valuation at 1 July 2013	347	956,458	956,805
Investment holding gains at 1 July 2013	–	(354,198)	(354,198)
Cost at 1 July 2013	347	602,260	602,607
Additions at cost	–	159,019	159,019
Disposals at cost	–	(36,458)	(36,458)
Cost at 30 June 2014	347	724,821	725,168
Investment holding gains at 30 June 2014	–	426,656	426,656
Valuation at 30 June 2014	347	1,151,477	1,151,824

Notes to the Financial Statements (continued)

11 Investments held at fair value through profit or loss (continued)

The portfolio valuation at 30 June 2015 of £1,259,662,000 (2014: £1,151,824,000) is shown on the balance sheet as investments held at fair value through profit or loss of £1,259,662,000 (2014: £1,151,824,000).

Purchase transaction costs for the year ended 30 June 2015 were £1,015,000 (2014: £644,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 June 2015 were £126,000 (2014: £48,000).

12 Subsidiary undertakings

The Company has three wholly-owned subsidiary undertakings, all of which are registered in England and Wales: The City of London European Trust Limited, City of London Investments Limited and The City of London Finance Company Limited.

The financial statements of the three companies have not been consolidated on the basis of immateriality and dormancy. Consequently the financial statements present information about the Company as an individual entity and not about the Group. The Directors consider that the values of the subsidiary undertakings are not less than the amounts at which they are included in the financial statements. The companies are maintained in order to protect the company names.

- The City of London European Trust Limited was incorporated in 1899 as Patrick & McGregor Limited and is dormant, not having traded since 1968. The aggregate amount of the capital and reserves of The City of London European Trust Limited at 30 June 2015 was £347,000 (2014: £347,000). This Company has 10,000 issued ordinary shares of £1 each.
- City of London Investments Limited is a dormant company and has not traded since its incorporation in 1982. The aggregate amount of the capital and reserves of City of London Investments Limited at 30 June 2015 was £2 (2014: £2). This Company has two issued ordinary shares of £1 each.
- The City of London Finance Company Limited is a share dealing company and was dormant throughout the year. Its aggregate capital and reserves at 30 June 2015 were £2 (2014: £2). This Company has two issued ordinary shares of £1 each.

13 Debtors

	2015 £'000	2014 £'000
Withholding and income tax recoverable	255	302
Prepayments and accrued income	6,988	5,826
Share issue proceeds receivable	–	945
	7,243	7,073

14 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Purchases for future settlement	1,933	951
Amounts owed to subsidiary undertakings	347	347
Accruals	3,216	3,235
Issue costs payable in respect of secured notes	–	27
Dividends payable on preference and preferred ordinary stocks	79	79
11 ½% debenture stock 2014 (for details of the repayment terms of the debenture see note 15)	–	6,000
	5,575	10,639

The Company had an uncommitted overdraft facility of £80,000,000 at 30 June 2015 (2014: £80,000,000) provided by its custodian and has provided a floating charge over its assets in return. Interest on the overdraft was payable at a rate of HSBC Base Rate + 1.25% at 30 June 2015 (2014: +1.25%). Covenants relating inter alia to a maximum level of borrowings apply to the Company's borrowing facility. A breach of these covenants may result in any overdraft drawn down becoming repayable immediately.

Notes to the Financial Statements (continued)

15 Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
10¼% debenture stock 2020	10,000	10,000
8½% debenture stock 2021	30,000	30,000
4.53% secured notes 2029	34,569	34,538
£301,982 (2014: £301,982) cumulative first preference stock	302	302
£507,202 (2014: £507,202) non-cumulative second preference stock	507	507
£589,672 (2014: £589,672) non-cumulative preferred ordinary stock	590	590
	75,968	75,937

On 22 January 2014 the Company issued £35,000,000 (nominal) 4.53% secured notes due 2029, net of issue costs totalling £476,000. The issue costs will be amortised over the life of the secured notes.

The repayment terms of the debenture stocks and secured notes are as follows:

- £10,000,000 10¼% debenture stock 2020 redeemable at par on 30 April 2020.
- £30,000,000 8½% debenture stock 2021 redeemable at par on 31 January 2021.
- £35,000,000 4.53% secured notes 2029 redeemable at par on 22 January 2029.

The notes are secured by a first floating charge over the Company's assets, ranking pari passu with the debenture stocks.

A summary of the rights that attach to each of the Preference and Preferred Ordinary Stocks, all of which are non-redeemable, is given below.

	First Preference Stock	Second Preference Stock	Preferred Ordinary Stock
a) Rights to dividends	A fixed cumulative dividend of 6% per annum (plus tax credit), of which 5.5% is payable in preference to the dividend on the second preference stock and 0.5% is payable after it.	A fixed non-cumulative dividend of 4.2% per annum (plus tax credit), which is payable after the first 5.5% per annum entitlement on the first preference stock.	A fixed non-cumulative dividend of 20% per annum (plus tax credit), which is payable after the entitlements on the first and second preference stocks.
b) Priority and amounts receivable on a winding-up	Repayment of capital in priority to payment to the other members of the Company. Any arrears of dividend are payable after the repayment of the capital on the second preference stock.	Repayment of capital after the repayment of the capital on the first preference stock.	Payment of £3.50 in respect of each £1 of capital, after the repayment of the entitlements on the first and second preference stocks.
c) Voting rights at general meetings	Right to attend and vote at general meetings. On a poll, voting rights are one vote per £10 of stock held.	No rights to attend or vote at general meetings (except on a winding-up of the Company or if dividends are in arrears).	Right to attend and vote at general meetings. On a poll, voting rights are one vote per £20 of stock held.

Notes:

(i) The dividend entitlements of the First Preference Stock and the Preferred Ordinary Stock reverted on 6 April 1999 to the rates which applied before 6 April 1973.

(ii) In the event of a winding-up, the Preferred Ordinary Stock would be repaid at £3.50 per £1 of stock. However, its share of equity shareholders' funds is included in the financial statements at par because no winding-up is envisaged.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures

The Directors manage investment risk principally through setting an investment policy (that is approved by shareholders) which incorporates risk parameters (see page 4), by contracting management of the Company's investments to an investment manager (Henderson) under a contract which incorporates appropriate duties and restrictions and by monitoring performance in relation to these. The Board's relationship with Henderson is discussed on page 30. Internal control and the Board's approach to risk is on page 29. There have been no material changes to the management or nature of the Company's investment risks from the prior year.

The main risks arising from the Company's pursuit of its investment objective are market risk (comprising market price risk, currency risk and interest rate risk) credit risk and liquidity risk. The effects of these can also be increased by gearing.

The Board and Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below.

- Straight-through processing via a deal order and management system ("OMS") is utilised for listed securities
- Portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine.
- Fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises Hiportfolio software.
- The IT tools to which the Henderson risk, compliance and operations teams have access for independent monitoring and risk measurement purposes include:
 - Charles River Compliance module for investment restrictions monitoring;
 - ArcLogics operational risk database;
 - RiskMetrics, UBS Delta, Style Research, Finanalytica and Barra Aegis for market risk measurement;
 - Bloomberg for market data and price-checking; and
 - Hiportfolio for portfolio holdings and valuations.

16.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises market price risk (see note 16.1.1), currency risk (see note 16.1.2) and interest rate risk (see note 16.1.3). The Fund Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

16.1.1 Market price risk

Market price risk (changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of investments. The Company's investments are susceptible to market price risk arising from uncertainties about the future prices of the investments.

Management of the risk

The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from Henderson. The Board meets regularly and at each meeting reviews investment performance. The Board monitors Henderson's compliance with the Company's objectives, including investment strategy and asset allocation.

When appropriate, the Company may buy/sell put or call options or futures on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. At 30 June 2015 the Company had no open positions (2014: nil).

Concentration of exposure to market price risk

An analysis of the Company's investment portfolio is shown on pages 14 and 15. This shows that the majority of the Company's investments are in UK listed companies. Accordingly, there is a concentration of exposure to the UK, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The sensitivity of (a) the return after taxation for the year and (b) the Company's net assets to an increase or decrease of 10% in the fair values of the Company's investments at each balance sheet date is shown below. This level of change is considered to be reasonably possible, based on observation of current market conditions.

The impact of a 10% increase in the value of the investments on the revenue return as at 30 June 2015 is a decrease of £132,000 (2014: £121,000) and on the capital return is an increase of £125,623,000 (2014: £114,866,000). The total impact on equity shareholders' funds would be an increase of £125,491,000 (2014: £114,745,000).

The impact of a 10% decrease in the value of the investments on the revenue return as at 30 June 2015 is an increase of £132,000 (2014: £121,000) and on the capital return is a decrease of £125,623,000 (2014: £114,866,000). The total impact on equity shareholders' funds would be a decrease of £125,491,000 (2014: £114,745,000).

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1.2 Currency risk

The Company is not itself materially exposed to currency risk, although some of the investments will be in companies that have operations that involve currency risk and pay dividends in foreign currencies.

Management of the risk

Investment income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. However, the Company does sometimes hedge foreign currency exposure ahead of the declaration of dividends from companies in which it invests.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 30 June 2015 are £445,000 (2014: £350,000).

Foreign currency sensitivity

The Company's sensitivity to movements in exchange rates affecting its investment income, assuming a 10% movement in the Sterling/US Dollar rate, will be a loss of £1,046,000 (2014: £873,000) if Sterling strengthens and a profit of £1,278,000 (2014: £1,067,000) if Sterling weakens. The 10% movement has been based on average market volatility in exchange rates in the previous 12 months.

16.1.3 Interest rate risk

Interest rate movements may affect:

- the level of income receivable from cash at bank and on deposit.
- the interest payable on the Company's variable rate bank borrowings.

Management of the risk

The Company, generally, does not hold significant cash balances. The Company finances part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts have not been used during the year to hedge against the exposure to interest rate risk.

Interest rate exposure

The Company's exposure at 30 June 2015 of financial assets and financial liabilities to fixed interest rate risk can be found in notes 14 and 15. The exposure to floating interest rates can be found on the balance sheet under cash at bank and under bank overdraft in note 14.

Interest receivable and finance costs are at the following rates:

- interest received on cash balances is at a margin over HSBC's base rate.
- interest paid on borrowings under the overdraft facility provided by the Custodian is at a margin of 1.25% above the HSBC base rate (2014: 1.25% above the HSBC base rate).

The table below analyses the Company's contractual liabilities

	30 June 2015			30 June 2014		
	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
Debenture stocks ¹	3,575	24,129	31,488	9,920	14,300	44,880
Secured notes ²	1,586	6,342	48,603	1,586	6,342	50,189
Preference stock and preferred ordinary stock ³	157	628	1,399	157	628	1,399
Other creditors and accruals	5,575	–	–	4,639	–	–
	10,893	31,099	81,490	16,302	21,270	96,468

1 The above figures show interest payable over the remaining terms of the debenture stocks. The figures in the "between 1 and 5 years" and "more than 5 years" columns also include the capital to be repaid. Details of repayment are set out on page 50 and dividend/interest payment dates on page 59.

2 The above figures show interest payable over the remaining term of the secured notes. The figures in the "more than 5 years" column also include the capital to be repaid. Details of repayment are set out on page 50 and interest payment dates on page 59.

3 The figures in the "more than 5 years" columns do not include the ongoing annual finance cost of £157,000.

Interest rate risk sensitivity

The Company is not materially exposed to changes in interest rates.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets is in investments in quoted equities that are readily realisable. For details of the Company's bank borrowing facility, see note 14.

The Board gives guidance to Henderson as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should remain fully invested in normal market conditions and that short term borrowings should be used to fund short term cash requirements.

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 30 June 2015, based on the earliest date on which payment can be required, is given on page 50.

16.3 Credit and counterparty risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

The risk is not significant and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by Henderson, and limits are set on the amount that may be due from any one broker
- cash at bank is held only with reputable banks with high quality external credit ratings.

Stock lending transactions are carried out with a number of approved counterparties, whose credit rating is reviewed regularly by Henderson and limits are set on the amount that may be lent to any one counterparty. Stock lending is the temporary transfer of securities by a lender to a borrower, with an agreement by the borrower to return equivalent securities to the lender at an agreed future date. Stock lending revenue is received for making the investments available to the borrower, which increases the returns on the portfolio. In all cases securities lent continue to be recognised on the balance sheet. Details of the value of securities on loan at the year end, and the collateral held, can be found in note 4.

In summary the Company only transacts with counterparties that it considers to be credit worthy. The exposure to credit and counterparty risk at 30 June 2015 was to cash at bank of £3,150,000 (2014: £2,929,000) and to other debtors of £7,177,000 (2014: £7,054,000).

None of the Company's financial assets are past their due date or impaired.

16.4 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are either carried in the balance sheet at their fair value or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). At 30 June 2015 the aggregate fair value of the debenture stocks and secured notes was £84,450,000 (2014: £90,188,000) and the aggregate fair value of the preferred and preference stock was £2,685,000 (2014: £2,622,000). These valuations are obtained from brokers based on market prices. The debenture stock, preference stock and preferred ordinary stock are carried in the balance sheet at par.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.5 Fair value hierarchy disclosures

The table below sets out fair value measurements using the FRS 29 fair value hierarchy.

Financial assets at fair value through profit or loss at 30 June 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,259,315	–	347	1,259,662
Total	1,259,315	–	347	1,259,662

Financial assets at fair value through profit or loss at 30 June 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,151,477	–	347	1,151,824
Total	1,151,477	–	347	1,151,824

The total carrying value of loans and receivables, as stated in note 13, is a reasonable approximation of their fair value as at the year end date.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

The valuation techniques used by the Company are explained in the accounting policies note on page 42.

There have not been any transfers during the year between any of the levels. A reconciliation of fair value movements within Level 3 is set out below.

Reconciliation of Level 3 fair value measurement of financial assets	£'000
Opening and closing fair value	347

16.6 Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to provide long-term growth in income and capital, principally by investment in UK equities.

The Company's capital is its equity share capital and reserves that are shown in the balance sheet, preference shares and debentures (see notes 14 and 15) at a total of £1,264,480,000 (2014: £1,157,187,000).

The Company is subject to several externally imposed capital requirements:

- borrowings under the overdraft facility are not to exceed 15% of the portfolio
- as a public company, the Company has a minimum share capital of £50,000
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law
- the terms of the debenture trust deeds have various covenants that prescribe that moneys borrowed should not exceed the adjusted total capital and reserves as defined in the debenture trust deeds. These are measured in accordance with the policies used in the annual financial statements

The Company has complied with these requirements.

Other than in exceptional market conditions, gearing will not exceed 20% of the net asset value at the time of draw down of the relevant borrowings.

Notes to the Financial Statements (continued)

17 Called up share capital

	Shares in issue	Nominal value of total shares in issue £'000
Allotted and issued ordinary shares of 25p each		
At 1 July 2014	284,809,868	71,202
Issue of new ordinary shares	22,875,000	5,719
At 30 June 2015	307,684,868	76,921
Allotted and issued ordinary shares of 25p each		
At 1 July 2013	257,984,868	64,496
Issue of new ordinary shares	26,825,000	6,706
At 30 June 2014	284,809,868	71,202

During the year, the Company issued 22,875,000 (2014: 26,825,000) ordinary shares with total proceeds of £86,864,000 (2014: £99,239,000) after deduction of issue costs of £68,000 (2014: £62,000). The average price of the shares that were issued was 379.7p (2014: 369.9p).

18 Share premium account

	2015 £'000	2014 £'000
At beginning of year	265,004	172,471
Issue of shares	81,213	92,595
Less: issue costs	(68)	(62)
At end of year	346,149	265,004

19 Other capital reserves

	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2014	2,707	426,656	276,561	703,217
Transfer on disposal of investments	–	(34,326)	34,326	–
Net gains/(losses) on investments	–	36,442	(8,098)	28,344
Exchange losses	–	–	(334)	(334)
Management fees charged to capital	–	–	(2,926)	(2,926)
Finance costs charged to capital	–	–	(3,917)	(3,917)
Other administrative costs	–	–	(5)	(5)
At 30 June 2015	2,707	428,772	295,607	724,379

	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2013	2,707	354,198	261,491	615,689
Transfer on disposal of investments	–	(11,358)	11,358	–
Net gains on investments	–	83,816	9,949	93,765
Exchange gains	–	–	46	46
Management fees charged to capital	–	–	(2,602)	(2,602)
Finance costs charged to capital	–	–	(3,681)	(3,681)
At 30 June 2014	2,707	426,656	276,561	703,217

Notes to the Financial Statements (continued)

20 Revenue reserve

	Total £'000
At 1 July 2014	33,120
Net revenue for the year	50,126
Dividends paid (note 10)	(44,890)
At 30 June 2015	38,356
	Total £'000
At 1 July 2013	31,034
Net revenue for the year	41,698
Dividends paid (note 10)	(39,612)
At 30 June 2014	33,120

21 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £1,188,512,000 (2014: £1,075,250,000) and on 307,684,868 (2014: 284,809,868) shares in issue on 30 June 2015.

An alternative net asset value per ordinary share can be calculated by deducting from the total assets less current liabilities of the Company the preference and preferred ordinary stocks and the debenture stocks at their market (or fair) values rather than at their par (or book) values. The net asset value per ordinary share at 30 June 2015 calculated on this basis was 382.65p (2014: 373.71p).

	Total £'000
The movements during the year of the assets attributable to the ordinary shares were as follows:	
Total net assets attributable to the ordinary shares at 1 July 2014	1,075,250
Total net return on ordinary activities after taxation	71,288
Dividends paid on ordinary shares in the year	(44,890)
Issue of shares	86,864
Total net assets attributable to the ordinary shares at 30 June 2015	1,188,512

The Company does not have any dilutive securities.

22 Capital commitment and contingent liabilities

Capital commitments

There were no capital commitments as at 30 June 2015 (2014: none).

Contingent liabilities

There were no contingent liabilities including in respect of sub-underwriting participations as at 30 June 2015 (2014: none).

23 Reconciliation of net return on ordinary activities before finance charges and taxation to net cash inflow from operating activities

	2015 £'000	2014 £'000
Net return on ordinary activities before finance charges and taxation	77,645	135,070
Less: capital return before finance charges and taxation	(25,079)	(91,209)
Net revenue return before finance charges and taxation	52,566	43,861
(Increase)/decrease in prepayments and accrued income	(1,162)	416
(Decrease)/increase in other creditors and accruals	(28)	274
Management fees taken to capital	(2,926)	(2,602)
Administration fee taken to capital	(5)	–
Tax deducted at source	(798)	(646)
Net cash inflow from operating activities	47,647	41,303

Notes to the Financial Statements (continued)

24 Analysis of changes in net debt

	1 July 2014 £'000	Cash flow £'000	Non cash movement £'000	Exchange movements £'000	30 June 2015 £'000
Cash at bank	2,929	555	–	(334)	3,150
Debentures	(6,000)	6,000	–	–	–
Total	(3,071)	6,555	–	(334)	3,150
Debts falling due after more than one year	(75,937)	–	(31)	–	(75,968)
Net debt	(79,008)	6,555	(31)	(334)	(72,818)

	1 July 2013 £'000	Cash flow £'000	Non cash movement £'000	Exchange movements £'000	30 June 2014 £'000
Cash at bank	179	2,704	–	46	2,929
Bank overdraft	(24,636)	24,636	–	–	–
Debentures	–	–	(6,000)	–	(6,000)
Total	(24,457)	27,340	(6,000)	46	(3,071)
Debts falling due after more than one year	(47,399)	(34,551)	6,013	–	(75,937)
Net debt	(71,856)	(7,211)	13	46	(79,008)

25 Reconciliation of net cash flow to movement in net debt

	2015 £'000	2014 £'000
Increase in cash as shown on cash flow statement	555	27,340
Net cashflow from issue of secured notes	–	(34,551)
Repayment of 11.5% debenture stock	6,000	–
Non cash movement	(31)	13
Exchange movements	(334)	46
Movement in net debt	6,190	(7,152)
Net debt at 1 July	(79,008)	(71,856)
Net debt at 30 June	(72,818)	(79,008)

26 Transactions with the Manager and Related Parties

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 28 March 2010 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the Alternative Investment Fund Managers Directive) the Company has appointed subsidiaries of Henderson Group plc ("Henderson") to provide investment management, accounting, secretarial and administration services. Henderson has contracted BNP Paribas Securities Services to provide accounting and administration services.

Details of the fee arrangements for these services are given on page 4. The total of management fees paid or payable to Henderson under this agreement in respect of the year ended 30 June 2015 was £4,180,000 (2014: £3,717,000). The amount outstanding at 30 June 2015 was £1,068,000 (2014: £969,000).

With effect from 1 July 2007 VAT is no longer charged on management fees.

In addition to the above services, Henderson has provided the Company with sales and marketing services during the year. The total fees paid or payable for these services for the year ended 30 June 2015 amounted to £60,000 including VAT (2014: £93,000) of which £24,000 was outstanding at 30 June 2015 (2014: £6,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 27 and in note 6 on page 46.

General Shareholder Information

BACS

Dividends and interest can be paid to shareholders and stockholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 17) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Disability Act

Copies of this report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its ordinary shares of 25p each can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Share Price Listings

The market price of the Company's ordinary shares is published daily in The Financial Times and other leading newspapers. The Financial Times also shows figures for the estimated NAV and the premium/discount.

The market prices of the Company's preference, preferred ordinary and debenture stocks can be found in the London Stock Exchange Daily Official List.

Performance Details/Share Price Information

Details of the Company's share price and NAV can be found on the website. The address is www.cityinvestmenttrust.com
The Company's NAV is published daily.

Shareholder Details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via www.computershare.com. Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

AIFMD Disclosures

Periodic disclosures required in accordance with the Alternative Investment Fund Managers Directive are included within a Key Investor Information Document (KIID) which can be found on the Company's website www.cityinvestmenttrust.com.

A Brief History

The Company was formed as City of London Brewery Company Limited in 1860 to acquire Calverts, a family brewing business at Upper Thames Street in the City of London. The brewery had extensive interests in the licensed premises trade.

In 1932 the name was changed to The City of London Brewery and Investment Trust Limited, parts of the business having been sold and the proceeds invested in securities according to investment trust principles. In 1968 the remaining part of the brewery business was sold and the Company concentrated exclusively on investments in securities.

In 1970 the Company appointed Touche, Remnant & Co. as Investment Manager and in 1982 the name was changed to TR City of London Trust PLC. In 1992 Touche, Remnant & Co. was acquired by Henderson Administration Group plc.

Henderson Global Investors (Holdings) plc was acquired by AMP in the spring of 1998. In December 2003 Henderson Group plc, the holding company of Henderson Global Investors (Holdings) plc, was demerged from AMP which was quoted on the London and Australian Stock Exchanges. Henderson Group plc is a constituent of the FTSE 250 Index. Since 31 October 2009 Henderson Group plc has been incorporated in Jersey. In December 2012 the Group changed its tax residency from the Republic of Ireland to the UK by means of a corporate restructuring.

The name of the Company was changed to The City of London Investment Trust plc in October 1997.

Dates of Dividend and Interest Payments

Dividends¹

Ordinary shares:

- first interim payable on 30 November
- second interim payable on 28 February
- third interim payable on 31 May
- fourth interim payable on 31 August

Preference and preferred ordinary stocks:

- payable on 28 February and 31 August

Debenture Interest

10¼% debenture stock 2020:

- payable on 30 April and 31 October

8½% debenture stock 2021:

- payable on 31 January and 31 July

Secured Loan Notes

4.53% secured notes 2029:

- payable on 22 January and 22 July

¹ If a dividend payment date falls on a weekend or bank holiday, payment will be made on the preceding business day.

The City of London Investment Trust plc
Registered as an investment company in England and Wales
Registration Number 34871
Registered Office: 201 Bishopsgate, London EC2M 3AE

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ISIN number/SEDOL: Ordinary Shares: GB0001990497/0199049
London Stock Exchange (EPIC) Code: CTY
Global Intermediary Identification Number (GIIN): S55HF7.99999.SL.826
Legal Entity Identifier (LEI): 213800F3NOTF47H6AO55

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