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THE CITY OF LONDON INVESTMENT TRUST PLC

Annual Report for the year ended 30 June 2018

This announcement contains regulated information

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.

CHAIRMAN'S COMMENT

" I am pleased to report a net asset value total return of 6.3%. The dividend was increased for the 52nd consecutive year, by 6.0% and well ahead of inflation. "

PERFORMANCE HIGHLIGHTS

	2018	2017
Total Return Performance:		
Net asset value per ordinary share('NAV')[1]	**6.3%**	14.5%
Share Price[2]	**6.2%**	16.7%
AIC UK Equity Income sector (Benchmark)[3]	**6.3%**	17.8%
FTSE All-Share Index	**9.0%**	18.1%
IA UK Equity Income OEIC sector	**6.2%**	19.4%

	2018	2017
NAV per ordinary share	**429.2p**	421.3p
NAV per ordinary share (debt at market value)	**424.3p**	416.1p
Share Price	**432.0p**	423.5p
Gearing at year end	**7.7%**	5.5%
Revenue Earnings per share	**18.7p**	17.8p
Dividends per share	**17.7p**	16.7p
Revenue Reserve per share	**15.0p**	14.3p
Ongoing Charge for the year	**0.41%**	0.42%
Premium	**0.7%**	0.5%
Premium (debt at market value)	**1.8%**	1.8%

1 Net asset value per ordinary share total return with debt at market value (including dividends reinvested)
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, Janus Henderson, Datastream

CHAIRMAN'S STATEMENT

I am pleased to report a net asset value total return of 6.3%, which was in line with both the average for the AIC UK Equity Income sector and the IA UK Equity Income OEIC sector. Our performance did lag the FTSE All-Share Index return but we continue to outperform that index over longer periods of five and ten years. The dividend was increased for the 52nd consecutive year, by 6.0% and well ahead of inflation.

The Markets

Responding to another year of strong global growth as well as OPEC supply constraints, the oil price was a notable feature, rising from $48 per barrel to $79 per barrel over the 12 months. As a result, oil & gas was the best performing sector within the UK stock market. In contrast, fixed interest had a dull year with a return of 1.9% from the FTSE Actuaries UK Conventional Gilts All Stocks Index and of 0.4% from the S&P UK Investment Grade Corporate Bond Index. Sectors which are not particularly sensitive to economic activity, such as utilities, tobacco and telecommunications, and therefore linked to bond prices were notable underperformers. The negative effect of these 'bond proxy' sectors, which are mainly made up of large capitalisation stocks, outweighed the positive effect of the oil stocks, which are also of significant size. The FTSE 100 Index of large capitalisation stocks, in which City of London is principally invested, underperformed the FTSE 250 Index of medium-sized companies over the 12 months.

Performance

Revenue earnings per share rose by 5.1% to 18.7p reflecting the underlying dividend growth from investments held. Special revenue dividends, which made up 3.7% of total income from investments, were £2.6 million. City of London increased its dividend by 6.0% over the previous year. The quarterly dividend will next be considered by the Board when the third interim is declared in April 2019.

City of London's net asset value return was 6.3% over the 12 months, which was the same as the size weighted average for the AIC UK Equity Income sector, 0.1% ahead of the IA UK Equity Income OEIC sector but 2.7% behind the FTSE All Share Index. Despite having large holdings in Royal Dutch Shell and BP, being underweight in the oil & gas sector relative to the market average was the most costly sector detractor over the 12 months. Other negative factors were being underweight mining, overweight utilities and the fall in the share price of Provident Financial which was subsequently sold. On a more positive note, the biggest stock contributor was our stake in travel group TUI. Our three housebuilding holdings had another good year and were again among the most significant contributors. Overall, stock selection detracted 2.9% from performance.

Some Recurring Themes

There are several features of the Company's performance which serve to underpin the consistency of City of London's long term record and to augment returns to shareholders. They merit emphasis.

<u>Continuing Share Issuance</u>
During the year City of London's shares have been in strong demand and continue to trade at a premium. The Board's aim is for the Company's share price to reflect closely its underlying asset value, and to reduce volatility and facilitate liquidity in the shares. In furtherance of this objective, 15 million shares have been issued at a premium to net asset value for proceeds of £62.7 million. In the past eight years City of London has issued 145.7 million shares, which has increased its share capital by 69.9%. Since 30 June 2018 we have issued a further 2.3 million shares.

<u>Strengthening of Revenue Reserves</u>
Despite our unique dividend record, we have again added to reserves, this year to the tune of £4.5 million. This is the sixth successive year in which we have raised the dividend and yet increased revenue reserves to underpin future dividends. Revenue reserves per share now stand at 15.0p, an increase of 4.9% over last year.

<u>Low and Declining Ongoing Charge</u>
The management fee which we pay Janus Henderson stands at 0.365% per annum of net assets up to £1 billion, reducing to 0.35% on the balance of net assets above that level. Although this is competitive against other actively managed equity funds, the Board does monitor this closely as costs across the industry remain under pressure. The Company's ongoing charge for the year declined to 0.41%, which is the lowest in the AIC UK Equity Income sector.

Borrowings and Gearing

In November 2017 City of London issued £50 million of fixed rate 32 year private placement notes at an annualised coupon of 2.94%. The Board decided to take out this additional loan in order to secure long term fixed funding at a rate which is not only very attractive by historical standards but is also substantially lower than the income yield on the Company's investments which it is funding. It should, therefore, enhance shareholder returns over the longer term.

This decision is consistent with the Board's disciplined approach to the judicious use of borrowings. Whilst there may be some tactical moves in the amount of gearing dependent on market levels, shareholders should expect to see a core level of structural borrowings sustained through the cycle in order to augment prospective long run equity market returns. The remainder of our higher cost fixed rate debentures taken out in the 1980s and 1990s matures in the next two to three years and the Board will be looking to refinance these borrowings as cheaply as possible.

Gearing started the year at 5.5% and was increased to 7.7% by the end of the period. It contributed 0.5% to our performance.

Key Information Document ("KID")

A disappointing development in the year was one outside your Board's control. From 1 January 2018, EU legislation has required all investment companies to produce a KID in order for their shares to be made available to retail investors. The KID contains, in a highly prescriptive format, information on investment objectives and policy, risk and reward profile, costs and associated charges, and certain financial information.

The main objectives are to provide those investors with clearer disclosure, easier to understand content and better comparisons between products. Sadly, the KID achieves none of these. For example, open-ended vehicles produce similar information but on different bases. In addition, we are required to include borrowing costs within an overall cost figure, while disregarding the resultant benefits which should accrue to performance over the longer term. As a result, closed ended funds will appear relatively more expensive than their open ended cousins, who of course cannot take on gearing.

Most worrying of all is that overnight we have moved away from a world where investors are forever being warned that past performance is no guide to the future to one where they are required to be supplied with indicative future returns in certain scenarios, but based on past returns achieved in a bull market which may not be repeatable in the near term. Such projections should be treated with the utmost caution. The scope for deviation from the mandated format and even for explanatory notes is negligible.

One hesitates to describe information provided under rules promulgated by our financial regulators as misleading but I would urge all shareholders and potential investors not to read our KID in isolation but to read it in conjunction with our Annual Report, and with the financial and other information on our website. I remain hopeful that the regulators can be persuaded to allow us to present the information required in a more meaningful and helpful way.

The Board

David Brief stepped down from the Board after nine years as a Director. He has made an invaluable contribution to the Board's deliberations during that time and we are grateful for his sound advice. Ted Holmes has joined the Board following a 20 year career with UBS Asset Management.

Annual General Meeting

The Annual General Meeting will be held at the offices of Janus Henderson Investors, 201 Bishopsgate, London EC2M 3AE on Thursday, 1 November. 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. If you are unable to attend in person, you can watch the meeting as it happens by visiting www.janushenderson.com/trustslive.

Outlook

Global economic growth remains robust. That is a supportive backdrop for equity market performance. However, if the trade war provoked by the US administration continues to escalate, global GDP cannot but be adversely impacted and the UK will not be immune.

The outcome of the UK's negotiations to exit the European Union is still uncertain. In conjunction with our managers, we have considered the direct practical consequences of Brexit on the operations of City of London and do not consider them to be material.

In the event of a disorderly exit, there would likely be more pressure on sterling, as there was in the immediate aftermath of the referendum in 2016. With the portfolio being predominantly invested in international companies, there is a positive effect of sterling weakness on translating overseas profits back into British pounds.

If the exit negotiations are concluded successfully and the UK economy continues to grow, it is likely that the Bank of England will gradually increase the bank rate. In the US and Europe, there are also likely to be further moves away from the stimulative monetary conditions that have prevailed since the global financial crisis. Increases in interest rates and reductions in quantitative easing will pose a challenge for all asset classes.

Reflecting some of these economic and political uncertainties, the valuation of UK equities is reasonable by historical standards and attractive relative to the main investment alternatives. The dividend yield of UK equities remains significantly above bank deposit rates and UK gilt yields, and yet dividends are growing well ahead of inflation. In this context, I believe that City of London's portfolio of high quality companies with strongly cash generative businesses, capable of growing their dividends and standing on attractive yields, should continue to serve shareholders well.

Philip Remnant CBE
Chairman
24 September 2018

FUND MANAGER'S REPORT
Investment Background

FTSE All-Share Total Return Index

It was another good year for global economic growth. The US benefited from tax cuts and China continued to expand at an impressive rate. The European growth rate weakened in the first half of 2018 but remained positive. The UK growth rate was also positive but below average for the leading developed economies. Inflation remained slightly above the 2% target as the fall in sterling from 2016 continued to be passed through into higher prices. Growth in UK consumers' spending was subdued for the first nine months of the period but picked up in the second quarter of 2018.

With some 70% of sales for UK listed companies coming from overseas, global growth benefited corporate profits and dividends. The UK equity market, as measured by the FTSE All-Share Index, produced a total return of 9.0%.

UK £ versus Euro and US$

Sterling started the period at an exchange rate of 1.30 against the US dollar, strengthened to a peak of 1.43 in April but then fell to end the 12 months at 1.32. Against the euro, sterling was more stable, starting at an exchange rate of 1.14, reaching a low of 1.08 in August, before finishing the 12 months at 1.13. The vicissitudes of the Brexit negotiations undoubtedly affected sterling as did relative perceptions of growth for the UK compared to other currency areas.

London Brent Crude Oil Index (ICE) US$/bbl

The oil price rose from $48/bbl to $79/bbl over the 12 months, an increase of 65%. There were both demand and supply factors behind this sharp appreciation. Demand for oil has increased steadily in recent years with rising global economic activity. The increase in demand has been most pronounced in emerging markets, such as India, where more people are driving cars. From a supply perspective, OPEC (the cartel of oil producing countries) and Russia restricted some of their oil output from reaching the market. In addition, the international oil companies have reduced investment in new oil fields in recent years in response to the slump in the oil price from 2014 to 2016.

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

The UK base rate was increased for the first time in over eight years in October 2017. The increase from 0.25% to 0.5% reversed the cut of the same size made in August 2016 in the aftermath of the Brexit referendum. The 10 year gilt yield fluctuated between 1.1% and 1.6% over the 12 months. In contrast to the low yield available for bank deposits and government bonds, the UK equity market dividend yield ranged between 3.5% and 3.9%. In addition, dividend growth was ahead of inflation. Over the 12 months, companies in City of London's portfolio increased their dividends on average by 6.7% (excluding special dividends).

The Company's gearing started the period at 5.5% and was raised to 8.8% in October ahead of the £50 million 2.94% Notes 2049 being funded. This is strategic gearing and we have a high level of confidence that City's portfolio will beat the annual interest cost of 2.94% over the 32 year life of this borrowing. The Company's gearing ended the financial year at 7.7% with the fixed rate borrowings fully invested.

Performance of Higher Yielding Shares Compared with Lower Yielding Shares

Over the 12 month period, the FTSE 350 Lower Yield Index outperformed. The higher yielding telecoms, tobacco and utilities sectors were notable laggards over the 12 months performance.

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

	2018	2017
	%	%
Stock Selection	**-2.89**	-3.84
Gearing	**+0.47**	+0.61
Expenses	**-0.41**	-0.42
Share Issues	**+0.09**	+0.07
Total	**-2.74**	-3.58

Source: Janus Henderson

The portfolio underperformed the FTSE All-Share Index for a second year in a row. Despite Royal Dutch Shell ending the year as the largest holding and BP the third largest, the portfolio was underweight relative to the Index in oil and this was the biggest sector detractor from performance costing 0.85%. The underweight position in mining cost 0.43% and being overweight utilities cost 0.41%. The biggest stock detractor was Provident Financial which cost 0.53% and was sold. In contrast, travel group TUI was the biggest stock contributor adding 0.28% and household goods & home construction was the best sector contributing 0.51%.

Over the long term, City has significantly outperformed the Index. For example, over 10 years, City's net asset value total return is 148.6% compared with 111.2% for the FTSE All-Share Index.

Portfolio Review

The portfolio's biggest sector contributor to performance against the FTSE All-Share Index was from housebuilding, for the second year in a row. Fundamentals remained good for the UK housing market with a combination of low interest rates, unsatisfied demand for owner occupation and fairly full employment. In addition, the government's "Help to Buy" scheme supported purchases of new homes. The three housebuilders held in the portfolio have long land banks and were well placed to meet the demand for new homes. The best performer of the three was Persimmon where some profits were taken. The holding in Berkeley was also reduced given its focus on the London market where house prices were under pressure due to the high rate of stamp duty on properties worth more than £1million. Some additions were made to Taylor Wimpey which ended the period as the Company's largest housebuilding holding. Also benefiting from the demand for new homes was City of London's holding in leading brick maker Ibstock.

The second biggest contributor was electronic and electrical equipment. The Company's three relatively small holdings in this sector, Halma, Renishaw and XP Power, returned 26%, 48% and 49% respectively. Common to these three businesses are strong technology with market leading positions and robust profit margins. The same can also be said of the Company's holding in chemicals which was the third biggest sector contributor. The three holdings, Croda, Johnson Matthey and Victrex, are all speciality chemical companies rather than operating at the bulk commodity end of that industry.

The sector which detracted most from relative performance was oil & gas. This was despite having large holdings in a strongly performing sector but because the portfolio was underweight relative to the Index. The period under review started with Royal Dutch Shell as the second largest holding and BP tenth largest but 4.1 percentage points underweight. Both stocks performed strongly, helped by the rising oil price and by their impressive control of costs. Additions were made to both holdings as their dividends became covered by cash flow. As a result, by the end of the 12 months, Royal Dutch Shell was the largest holding and BP third largest. At this point, the Company was underweight in oil and gas relative to the FTSE All-Share Index by 3.1 percentage points.

The second biggest sector detractor was financial services and this was due to the collapse in the share price of Provident Financial. Over the years, this company, which is a non-standard lender, had been a strong performer, but a disastrous change in strategy, away from part-time agents paid by commission who knew their customers well, led to losses and the suspension of its dividend. It was felt best to sell the stock because it needed new equity and its business model seemed challenged. Overall, Provident Financial cost 0.5% to relative performance against the FTSE All-Share Index over the year. More happily in financial services, the holding in NEX received a takeover bid from CME of the US and was sold at a significant profit.

The third biggest sector detractor was support services where some international builders' merchants and construction equipment rental companies, which had a good year, were not held. In addition, the holding in Connect was a very disappointing performer. Connect is one of two distributors of newspapers in the UK and this business although mature generates strong cash flows. Unfortunately, its diversification efforts into other distribution areas went awry leading to a share price fall that cost 0.25% to performance. It was decided to retain the holding in Connect given the value of the core newspaper distribution business and the change in its Chief Executive.

Turning to areas of the portfolio where there was notable activity, holdings in the retail sector were closely reviewed given the various pressures on the sector, including the growth of online shopping. The general retail sector exposure fell from 3.1% of the portfolio (or 1.2 percentage points overweight) to 1.9% (or 0.1 percentage points overweight). The holdings in Dixons Carphone, Inchcape and Next were sold.

In Real Estate Investment Trusts, some changes were made to take account of the shifts in relative valuations. Large profits were taken in light industrial owner Hansteen and Tritax Big Box (which specialises in warehouses) with both companies' share prices trading above their net asset values. The holdings in Civitas Social Housing and PRS (private rental housing) were sold on smaller profits but also at a premium to their net asset values. On the other hand, some additions were made to British Land and Land Securities on discounts of around 30% to their net asset values. A new holding was bought in Supermarket Income which invests in well located supermarket real estate with tenants on long leases and rents linked to inflation.

The holdings in the utility sector were reviewed against a background of rising political and regulatory risks in the UK and rising bond yields in the US. Given their relative valuation, it was decided to retain the UK utilities but Duke Energy of the US and Innogy of Germany were sold. In addition, profits were taken in John Laing Infrastructure Fund (which invests in PFI contracts) and Foresight Solar and Greencoat UK Wind (which invest respectively in solar and wind electricity generation assets). John Laing Infrastructure Fund had been a particularly successful investment since it was bought at its IPO but was standing on a material premium to its stated IPO. However, subsequently it received a takeover bid at a higher price.

In autos, the holding in GKN was taken over by Melrose where a stake was retained in the portfolio. Daimler was sold given heavy costs needed for investing in new models, including electric vehicles.

In life insurance, the holding in Standard Life Aberdeen was sold given the dilution from the sale of its life insurance division to Phoenix and the poor flows in its remaining fund management operations. The holding in Phoenix was added to through its rights issue. In non life insurance, a holding was bought in the IPO of Sabre Insurance, which is a specialist motor insurer with a very good record. In banks, the holding in Swiss based Cembra Money Bank, which had performed very well since it was bought at its IPO, was sold at what seemed a full valuation. Additions were made to Lloyds Banking in the UK.

In Media, profits were taken in the long standing holding in Sky which was subject to a takeover bid from Twenty-First Century Fox. We were concerned about the possibility of the bid being blocked by the UK competition authorities as well as the long-term competitive threats from new TV services, such as Netflix. A competing bid was not anticipated because Twenty-First Century Fox already owned a 39% stake in Sky. In the event, a competing bid did materialise so the holding was sold too soon. The holding in Pearson, which cut its dividend, was also sold with recovery prospects for its important US educational business uncertain. Additions were made to the large holding in RELX, the global provider of information and analytics for academic, professional and business customers, with a consistent record of profits growth.

Four new holdings were bought with an international flavour. Anglo American is an international mining company which also owns 85% of the De Beers diamond company. After a very difficult period during 2014 and 2015, profits for Anglo American and other mining companies have benefited from the recovery in commodity prices and also from much improved control of their costs. At the levels at which iron ore and other commodities traded over the last 12 months, Anglo American and other leading mining companies were able to generate significant levels of cash, pay down debt and increase dividends.

Iron Ore (US$/Metric Tonne)

Additions were also made to the existing holdings in BHP Billiton and Rio Tinto in the mining sector.

A new holding was also bought in Carnival, the world leading owner and operator of cruise ships, including the Cunard and Princess Cruise lines. The fundamentals for the cruise holiday industry are good with growing demand from ageing populations and competitive costs compared with land based holidays. Carnival is well placed to benefit with its range of brands which target different parts of the market. The holding in TUI, which was the portfolio's biggest stock contributor over the year, also benefited from the growth in profits in its cruise division among its various holiday operations.

A new holding was also bought in Coca-Cola, the market leader in carbonated soft drinks, owning four of the top five brands in the world. Coca-Cola is the world's leading provider of both sparkling and still beverages and operates in 200 companies. It is a beneficiary of worldwide growth in consumers' income, especially in emerging markets, and was bought on a reasonable valuation including a dividend yield of over 3%.

The final new holding was Orange, formerly known as France Telecom, which provides fixed line and mobile telecommunications services. Orange has the best quality mobile network in France which is helping it monetise the growth in mobile data services and it has scope for some gradual cost cutting.

Distribution of the Portfolio as at 30 June 2018

The portion of the portfolio invested in large UK listed companies increased over the year from 69% to 73%. This was mainly due to the decline in the portion invested in medium-sized and small UK listed companies from 19% to 16%. The position in overseas listed companies also declined from 12% to 11%.

FTSE 100, FTSE 250 & FTSE Small Cap Total Return

As discussed in the Chairman's Statement, the positive effect on the performance of the FTSE 100 of the large companies in the oil sector was offset by the negative effect of the large capitalisation stocks in the utilities, tobacco and telecommunications sectors. Therefore the best performance over the 12 months came from medium-sized companies. The performance of large and small companies was about the same.

Portfolio Outlook

The portfolio's qualities are well illustrated by the largest ten holdings which blend sustainable income with growth. In the oil sector, Royal Dutch Shell and BP are moving ahead with a respective share buy back and dividend increase after their successful repositioning in recent years. In banks, HSBC offers an attractive dividend yield with a leading position in the fast growing Asia Pacific region. Lloyds Banking, which is focussed on the UK, has rebuilt its capital ratios and should be able to continue increasing shareholder distributions going forward. In the various consumer staples sectors, British American Tobacco, Diageo and Unilever are well placed to grow in both developed and emerging markets. The proposed split of Prudential into two parts should liberate shareholder value. RELX is expected to continue to deliver consistent growth in profits from serving customers globally in information solutions. GlaxoSmithKline operates in growing international healthcare markets.

The top ten holdings reflect the predominantly international nature of the portfolio. Some UK domestic sectors have been held back by fears about Brexit and could have significant recovery potential, such as the UK Real Estate Investment Trusts, which make up 4.0% of the portfolio. With stakes in companies across a range of business activities, both overseas and in the UK, the portfolio is well positioned to continue to deliver competitive, risk adjusted returns.

Job Curtis
Fund Manager
24 September 2018

FORTY LARGEST INVESTMENTS as at 30 June 2018

Position	Company	Sector	Market Value £'000	Portfolio %
1	**Royal Dutch Shell**	Oil & Gas Producers	**112,364**	6.86
2	**HSBC**	Banks	**73,913**	4.51
3	**BP**	Oil & Gas Producers	**64,770**	3.95
4	**British American Tobacco**	Tobacco	**58,982**	3.60
5	**Diageo**	Beverages	**53,323**	3.26
6	**Unilever**	Personal Goods	**48,208**	2.94
7	**Prudential**	Life Insurance	**46,834**	2.86
8	**RELX**	Media	**46,677**	2.85
9	**Lloyds Banking**	Banks	**44,135**	2.70
10	**GlaxoSmithKline**	Pharmaceuticals & Biotechnology	**39,010**	2.38
Top 10			**588,216**	**35.91**
11	**Vodafone**	Mobile Telecommunications	**35,845**	2.19
12	**Rio Tinto**	Mining	**32,768**	2.00
13	**BAE Systems**	Aerospace & Defence	**29,753**	1.82
14	**Land Securities**	Real Estate Investment Trusts	**27,511**	1.68
15	**Taylor Wimpey**	Household Goods & Home Construction	**26,835**	1.64
16	**BHP Billiton**	Mining	**26,017**	1.59
17	**National Grid**	Gas, Water & Multiutilities	**25,990**	1.59
18	**SSE**	Electricity	**25,067**	1.53
19	**Verizon Communications**	Fixed Line Telecommunications	**23,421**	1.43
20	**Schroders**	Financial Services	**22,986**	1.40
Top 20			**864,409**	**52.78**
21	**AstraZeneca**	Pharmaceuticals & Biotechnology	**22,010**	1.34
22	**Croda International**	Chemicals	**21,839**	1.33
23	**Imperial Brands**	Tobacco	**21,002**	1.28
24	**Phoenix**	Life Insurance	**20,764**	1.27
25	**Persimmon**	Household Goods & Home Construction	**20,268**	1.24
26	**Reckitt Benckiser**	Household Goods & Home Construction	**19,653**	1.20
27	**TUI**	Travel & Leisure	**19,315**	1.18
28	**British Land**	Real Estate Investment Trusts	**18,485**	1.13
29	**Compass**	Travel & Leisure	**18,451**	1.13
30	**Hiscox**	Nonlife Insurance	**17,073**	1.04
Top 30			**1,063,269**	**64.92**
31	**BT**	Fixed Line Telecommunications	**16,771**	1.02
32	**Segro**	Real Estate Investment Trusts	**16,066**	0.98
33	**Nestlé**	Food Producers	**14,860**	0.91
34	**Ibstock**	Construction & Materials	**13,751**	0.84
35	**Direct Line Insurance**	Nonlife Insurance	**13,373**	0.81
36	**Barclays**	Banks	**13,230**	0.81
37	**Spirax-Sarco Engineering**	Industrial Engineering	**13,040**	0.80
38	**Greene King**	Travel & Leisure	**12,663**	0.77
39	**Sage**	Software & Computer Services	**12,572**	0.77
40	**Severn Trent**	Gas, Water & Multiutilities	**12,372**	0.75
Top 40			**1,201,967**	**73.38**

All classes of equity in any one company are treated as one investment

PRINCIPAL RISKS

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. In carrying out this assessment, the Board considered the market uncertainty arising from the UK's negotiations to leave the European Union.

The Board regularly considers the principal risks facing the Company. 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, and whether the Board considers the impact of such risks has changed over the past year, are as follows:

Risk	Mitigation
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 and receives regular reports from the Company's brokers. A detailed liquidity report is considered on a regular basis. The Fund Manager closely monitors the portfolio between meetings and mitigates this risk through diversification of investments. The Fund Manager periodically presents the Company's investment strategy in respect of current market conditions. Performance relative to other UK equity income trusts, the FTSE All-Share Index and UK Equity Income OEICs is also monitored.
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 has an annual meeting focussed on strategy, in addition to the scheduled meetings at which investment performance, the level of gearing and the level of premium/discount is reviewed. The Board also reviews a schedule of expenses and revenue forecasts at each meeting.
Tax and regulatory A breach of Section 1158 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 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.	The Manager provides investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by the Manager on a quarterly basis, which confirm legal and regulatory compliance.
Operational Disruption to, or failure of, the Manager's or its administrator's (BNP Paribas Securities Services) accounting, dealing or payment systems or the Depositary's records 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 monitors the services provided by the Manager and its other suppliers and receives reports on the key elements in place to provide effective internal control. During the year the Board reviewed the Manager's approach to cyber risk. The Board considers the loss of the Fund Manager as a risk but this is mitigated by the experience of the team at Janus Henderson as detailed in the Annual Report.

The Board considers these risks to have remained unchanged throughout the year under review.

BORROWINGS

The Company has a borrowing facility of £120.0m (2017: £120.0m) with HSBC Bank plc, of which £nil was drawn at the year end (2017: £10.2m). The Company also has two debentures totalling £40.0m (2017: £40.0m) and £84.3m (2017: £34.6m) of secured notes. The level of gearing at 30 June 2018 was 7.7% of net asset value (2017: 5.5%).

VIABILITY STATEMENT

The 2014 UK Corporate Governance Code introduced a requirement for the Board to assess the future prospects for the Company, and report on the assessment within the Annual Report.

The Board considered that certain characteristics of the Company's business model and strategy were relevant to this assessment:

- The Board looks to ensure the Company seeks to deliver long-term performance.

- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested mainly in readily realisable, UK listed securities and that the level of borrowings is restricted.

- The Company is a closed end investment company and therefore does not suffer from the liquidity issues arising from unexpected redemptions.

- The Company has an ongoing charge of 0.41% which is lower than other comparable investment trusts.

Also relevant were a number of aspects of the Company's operational agreements:

- The Company retains title to all assets held by the Custodian under the terms of formal agreements with the Custodian and Depositary.

- Long term borrowing is in place being the 10¼% debenture stock 2020, 8½% debenture stock 2021, 4.53% secured notes 2029 and 2.94% secured notes 2049 which are also subject to formal agreements, including financial covenants with which the Company complied in full during the year. The value of long term borrowing is relatively small in comparison to the value of net assets being 8.3%.

- Revenue and expenditure forecasts are reviewed by the Directors at each Board meeting.

- Cash is held with approved banks.

In addition, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's business model, including future performance, liquidity and solvency. These risks, their mitigations and processes for monitoring them are set out in the Annual Report.

The principal risks identified as relevant to the viability assessment were those relating to investment portfolio performance and its effect on the net asset value, share price and dividends, and threats to security over the Company's assets. The Board took into account the liquidity of the Company's portfolio, the existence of the longterm fixed rate borrowings, the effects of any significant future falls in investment values and income receipts on the ability to repay and re-negotiate borrowings, grow dividend payments and retain investors and the potential need for share buybacks to maintain a narrow share price discount. The Directors assess viability over five year rolling periods, taking account of foreseeable severe but plausible scenarios. The Directors believe that a rolling five year period best balances the Company's long-term objective, its financial flexibility and scope with the difficulty in forecasting economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to June 2023.

RELATED PARTY TRANSACTIONS

The Company's transactions with related parties in the year were with the Directors and the Manager. 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 in the Annual Report.

In relation to the provision of services by the Manager, 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 the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are found in the Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with Disclosure Guidance and Transparency Rule 4.1.12, each of the Directors 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

Philip Remnant CBE
Chairman
24 September 2018

INCOME STATEMENT

Notes		Year ended 30 June 2018 Revenue return £'000	Capital return £'000	Total return £'000	Year ended 30 June 2017 Revenue return £'000	Capital return £'000	Total return £'000
	Gains on investments held at fair value through profit or loss	**-**	**31,889**	**31,889**	-	132,750	132,750
2	Income from investments held at fair value through profit or loss	**69,976**	**-**	**69,976**	64,172	-	64,172
3	Other interest receivable and similar income	**254**	**-**	**254**	254	-	254
	Gross revenue and capital gains	**70,230**	**31,889**	**102,119**	64,426	132,750	197,176
	Management fees	**(1,570)**	**(3,664)**	**(5,234)**	(1,484)	(3,462)	(4,946)
	Other administrative expenses	**(708)**	**-**	**(708)**	(688)	-	(688)
	Net return before finance costs and taxation	**67,952**	**28,225**	**96,177**	62,254	129,288	191,542
	Finance costs	**(2,037)**	**(4,385)**	**(6,422)**	(1,794)	(3,819)	(5,613)
	Net return before taxation	**65,915**	**23,840**	**89,755**	60,460	125,469	185,929
	Taxation	**(1,236)**	**-**	**(1,236)**	(1,042)	-	(1,042)
	Net return after taxation	**64,679**	**23,840**	**88,519**	59,418	125,469	184,887
4	**Return per ordinary share basic and diluted**	**18.69p**	**6.89p**	**25.58p**	17.83p	37.64p	55.47p

The total columns of this statement represent the Income Statement 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 on ordinary activities after taxation stated above and their historical cost equivalents.

STATEMENT OF CHANGES IN EQUITY

Notes	Year ended 30 June 2018	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 2017	**84,853**	**461,753**	**2,707**	**832,011**	**48,598**	**1,429,922**
	Net return after taxation	**-**	**-**	**-**	**23,840**	**64,679**	**88,519**
7	**Issue of 15,000,000 new ordinary shares**	**3,750**	**58,948**	**-**	**-**	**-**	**62,698**
6	**Dividends paid**	**-**	**-**	**-**	**-**	**(60,142)**	**(60,142)**
		----------	-----------	---------	-----------	----------	----------
	At 30 June 2018	**88,603**	**520,701**	**2,707**	**855,851**	**53,135**	**1,520,997**
		======	======	=====	======	=====	======

	Year ended 30 June 2017	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 2016	81,290	408,191	2,707	706,542	43,856	1,242,586
	Net return after taxation	-	-	-	125,469	59,418	184,887
7	Issue of 14,250,000 new ordinary shares	3,563	53,562	-	-	-	57,125
6	Dividends paid	-	-	-	-	(54,676)	(54,676)
		----------	-----------	---------	-----------	----------	----------
	At 30 June 2017	84,853	461,753	2,707	832,011	48,598	1,429,922
		======	======	=====	======	=====	======

STATEMENT OF FINANCIAL POSITION

Notes		30 June 2018 £'000	30 June 2017 £'000
	Fixed assets		
	Investments held at fair value through profit or loss		
	Listed at market value in the United Kingdom	**1,454,876**	1,335,266
	Listed at market value overseas	**183,031**	173,413
	Investment in subsidiary undertakings	**347**	347
		1,638,254	1,509,026
	Current assets		
	Debtors	**14,493**	12,309
	Cash at bank	**68**	-
		14,561	12,309
	Creditors: amounts falling due within one year	**(6,105)**	(15,381)
	Net current assets/(liabilities)	**8,456**	(3,072)
	Total assets less current liabilities	**1,646,710**	1,505,954
	Creditors: amounts falling due after more than one year	**(125,713)**	(76,032)
	Net assets	**1,520,997**	1,429,922
	Capital and reserves		
7	Called up share capital	**88,603**	84,853
	Share premium account	**520,701**	461,753
	Capital redemption reserve	**2,707**	2,707
	Other capital reserves	**855,851**	832,011
	Revenue reserve	**53,135**	48,598
5	**Total shareholders' funds**	**1,520,997**	1,429,922
5	**Net asset value per ordinary share – basic and diluted**	**429.16p**	421.30p

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of accounting

The Company is a registered investment company as defined in Section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address in the Annual Report.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (which is effective for periods commencing on or after 1 January 2015), and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018.

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

As an investment fund the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all of the entity's investments are highly liquid, substantially all of the entity's investments are carried at market value, and the entity provides a Statement of Changes in Equity. The Directors have assessed that the Company meets all of these conditions.

The financial statements have been prepared under the historical cost basis except for the measurement at fair value of investments. In applying FRS 102, financial instruments have been accounted for in accordance with Section 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

The financial statements of the Company's three subsidiaries have not been consolidated on the basis of immateriality and dormancy. Consequently, the financial statements present information about the Company as an individual entity. The Directors consider that the value of the subsidiary undertakings are not less than the amounts at which they are included in the financial statements.

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial 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 at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

2. Income from investments held at fair value through profit or loss

	2018 £'000	2017 £'000
UK dividends:		
Listed – ordinary dividends	**53,311**	48,779
Listed – special dividends	**2,559**	2,801
	---------	---------
	55,870	51,580
	---------	---------
Other dividends:		
Dividend income – overseas investments	**11,670**	10,244
Dividend income – overseas investments - special dividends	**-**	39
Dividend income – UK REIT	**2,436**	2,279
Scrip dividends	**-**	30
	---------	---------
	14,106	12,592
	---------	---------
	69,976	64,172
	=====	=====

3. Other interest receivable and similar income

	2018 £'000	2017 £'000
Bank interest	**3**	-
Underwriting commission (allocated to revenue)[1]	**41**	125
Stock lending revenue	**210**	129
	-------	-------
	254	254
	====	====

[1] During the year the Company was not required to take up shares in respect of its underwriting commitments (2017: none).

At 30 June 2018, the total value of securities on loan by the Company for stock lending purposes was £101,360,000 (2017: £60,385,000). The maximum aggregate value of securities on loan at any one time during the year ended 30 June 2018 was £209,315,000 (2017: £138,097,000). The Company's agent holds collateral at 30 June 2018, with a value of £110,896,000 (2017: £79,120,000) 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 109% (2017:131%) of the market value of any securities on loan.

4. Return per ordinary share – basic and diluted

The return per ordinary share is based on the net return attributable to the ordinary shares of £88,519,000 (2017: £184,887,000) and on 346,003,431 ordinary shares (2017: 333,324,047), 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:

	2018 £'000	2017 £'000
Net revenue return	**64,679**	59,418
Net capital return	**23,840**	125,469
	----------	----------
Net total return	**88,519**	184,887
	======	======
Weighted average number of ordinary shares in issue during the year	**346,003,431**	333,324,047

	2018 Pence	2017 Pence
Revenue return per ordinary share	**18.69**	17.83
Capital return per ordinary share	**6.89**	37.64
	----------	----------
Total return per ordinary share	**25.58**	55.47
	======	======

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

5. 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 £1,520,997,000 (2017: £1,429,922,000) and on 354,409,868 (2017: 339,409,868) shares in issue on 30 June 2018.

6. Dividends paid on ordinary shares

	Record date	Payment date	2018 £'000	2017 £'000
Fourth interim dividend (4.05p) for the year ended 30 June 2016	29 July 2016	31 August 2016	-	**13,177**
First interim dividend (4.05p) for the year ended 30 June 2017	21 October 2016	30 November 2016	-	**13,354**
Second interim dividend (4.05p) for the year ended 30 June 2017	27 January 2017	28 February 2017	-	**13,628**
Third interim dividend (4.30p) for the year ended 30 June 2017	28 April 2017	31 May 2017	-	**14,517**
Fourth interim dividend (4.30p) for the year ended 30 June 2017	28 July 2017	31 August 2017	**14,648**	-
First interim dividend (4.30p) for the year ended 30 June 2018	20 October 2017	30 November 2017	**14,796**	-
Second interim dividend (4.30p) for the year ended 30 June 2018	26 January 2018	28 February 2018	**14,826**	-
Third interim dividend (4.55p) for the year ended 30 June 2018	27 April 2018	31 May 2018	**16,016**	-
Unclaimed dividends over 12 years old			**(144)**	-
			60,142	**54,676**

In accordance with FRS 102, interim dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they have been paid to shareholders.

All dividends have been paid or will be paid out of revenue profits.

A fourth interim dividend of 4.55p (2017: 4.30p) per ordinary share in respect of the year ended 30 June 2018 was paid on 31 August 2018 to shareholders for a total consideration of £16,175,000.

7. 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 2017	**339,409,868**	**84,853**
Issue of new ordinary shares	**15,000,000**	**3,750**
At 30 June 2018	**354,409,868**	**88,603**
Allotted and issued ordinary shares of 25p each		
At 1 July 2016	325,159,868	81,290
Issue of new ordinary shares	14,250,000	3,563
At 30 June 2017	339,409,868	84,853

During the year the Company issued 15,000,000 (2017: 14,250,000) ordinary shares with total proceeds of £62,698,000 (2017: £57,125,000) after deduction of issue costs of £143,000 (2017: £nil). The average price of the ordinary shares that were issued was 418.0p (2017: 400.9p).

8. 2018 Financial information

The figures and financial information for the year ended 30 June 2018 are extracted from the Company's annual financial statements for that period and do not constitute statutory accounts. The Company's annual financial statements for the year to 30 June 2018 have been audited but have not yet been delivered to the Registrar of Companies. The Independent Auditors' Report on the 2018 annual financial statements was unqualified, did not include a reference to any matter to which the Auditors drew attention without qualifying the report, and did not contain any statements under sections 498(2) or 498(3) of the Companies Act 2006.

9. 2017 Financial information

The figures and financial information for the year ended 30 June 2017 are compiled from an extract of the published financial statements for that year and do not constitute statutory accounts. Those financial statements have been delivered to the Registrar of Companies and included the report of the Auditors which was unqualified, did not include a reference to any matter to which the auditors drew attention without qualifying the report, and did not contain any statements under sections 498(2) or 498(3) of the Companies Act 2006.

10. Annual Report and Annual General Meeting

The Annual Report will be posted to shareholders in late September 2018 and will be available on the Company's website www.cityinvestmenttrust.com or in hard copy format from the Company's registered office, 201 Bishopsgate, London, EC2M 3AE thereafter.

The Annual General Meeting will be held at the offices of Janus Henderson Investors, 201 Bishopsgate, London EC2M 3AE on Thursday 1 November 2018 at 2.30pm. The Notice of Meeting will be sent to shareholders with the Annual Report.

For further information please contact:

Job Curtis
Fund Manager
The City of London Investment Trust plc
Telephone: 020 7818 4367

James de Sausmarez
Director and Head of Investment Trusts
Janus Henderson Investors
Telephone: 020 7818 3349

Laura Thomas
Investment Trust PR Manager
Janus Henderson Investors
Tel: 020 7818 2636