THE CITY OF LONDON INVESTMENT TRUST PLC

Annual Report for the year ended 30 June 2017

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 on a satisfactory year in absolute terms, with a net asset value total return of 14.5%. We have maintained our dividend track record for the 51st consecutive year with the 5.0% increase well ahead of inflation." **Philip Remnant CBE, Chairman**

PERFORMANCE HIGHLIGHTS

	2017	2016
Total Return Performance:		
Net asset value per ordinary share('NAV')[1]	**14.5%**	3.1%
Share Price[2]	**16.7%**	0.4%
AIC UK Equity Income sector (Benchmark)[3]	**17.8%**	2.3%
FTSE All-Share Index	**18.1%**	2.2%
UK Equity Income OEIC sector	**19.4%**	-1.7%

	2017	2016
NAV per ordinary share	**421.3p**	382.2p
NAV per ordinary share (debt at market value)	**416.1p**	378.6p
Share Price	**423.5p**	378.1p
Gearing at year end	**5.5%**	8.0%
Revenue Earnings per share	**17.8p**	17.4p
Dividends per share	**16.7p**	15.9p
Revenue Reserve per share	**14.3p**	13.5p
Ongoing Charge for the year	**0.42%**	0.42%
Premium/(Discount)	**0.5%**	(1.1%)
Premium/(Discount) (debt at market value)	**1.8%**	(0.1%)

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 on a satisfactory year in absolute terms, with a net asset value total return of 14.5%. Our focus on large companies and relatively conservative approach did lead to underperformance against the FTSE All-Share Index and the AIC UK Equity Income sector, but ours is an investment proposition which has served us well over the longer term. We have maintained our dividend track record for the 51st consecutive year with the 5.0% increase well ahead of inflation.

The Markets

The share prices of UK companies with operations focussed on the domestic market sold off sharply in the final week of June 2016 following the Brexit referendum. However, consumer confidence held up, possibly helped by the interest rate cut in August 2016 from 0.5% to 0.25%, and UK domestic stocks recovered with companies reporting reassuring trading during the second half of 2016. In general, medium-sized and small companies are more focussed on the UK and their share prices have outperformed. Over the twelve months, the FTSE Mid 250 Index produced a total return of 23.4% and the FTSE Small Cap Index 31.1%. Nevertheless, in the first half of 2017, UK economic growth actually lagged the US and Europe, as the fall in sterling led to a rise in inflation cutting into consumers' disposable incomes.

Performance

Earnings and Dividends

Revenue earnings per share rose by 2.4% to 17.83p, reflecting the underlying dividend growth from investments held. Special dividends, which made up 4.4% of total income from investments, remained constant at £2.8 million. Expenses remained under tight control with our ongoing charges held at 0.42%.

City of London increased its dividend by 5.0% over the previous year and added £4.7 million to revenue reserves. This is the fifth successive year when we have raised the dividend and yet increased revenue reserves to underpin future dividends. Revenue reserves per share now stand at 14.3p, an increase of 5.9% over last year despite continued share issuance by the Company.

The quarterly dividend will next be considered by the Board when the third interim is declared in April 2018.

Net Asset Value Total Return

City of London's net asset value total return was 14.5% which was 3.3% behind the size weighted average over the twelve months for the AIC UK Equity Income sector, 3.6% behind the FTSE All-Share Index and 4.9% behind the UK Equity Income OEIC sector average. The key factor behind City of London's underperformance relative to competitors was having less invested in medium-sized and small companies.

Compared with the FTSE All-Share Index, the biggest sector detractors were our underweight positions in banks and mining. Both these sectors have been poor dividend payers in recent years. On a more positive note, the position in housebuilders was the biggest contributor with the best performance from Persimmon which returned 64.4%. Overall, stock selection detracted 3.84% from performance. Gearing, which started the year at 8.0% and was reduced to end the period at 5.5%, contributed 0.61%. The fair valuing of our 4.53% 2029 Notes had a negative 0.54% impact.

Share Issues

During the year City of London's shares have again been in strong demand and have continued to trade at a premium. 14.2 million shares were issued at a premium to net asset value, for proceeds of £57.1 million. In the past seven years, City of London has issued 130.7 million new shares, which has increased its share capital by 63%. Since 30 June 2017, we have issued a further 3,400,000 shares.

The Chimera of Passive Investing

There has been much recent comment extolling the virtues of passive investment strategies, on the basis that active managers charge much higher fees and rarely outperform their benchmark index over the long term.

This is not an accusation that can validly be levelled against City of London. Our ongoing charges ratio of 0.42% is the lowest in the AIC UK Equity Income sector and is very competitive with the OEIC market, with most other investment trusts and with other actively managed funds. City of London has outperformed the FTSE All-Share Index over each of the last three, five and ten year periods. If you had invested £10,000 in the Company ten years ago and reinvested the dividends, your investment would be worth £21,908, compared with the £16,847 that same investment would now be worth had you tracked the FTSE All-Share Index over that period.

While investors may be content to replicate an index in a rising market, they may not be so sanguine when share prices are falling: there is a danger that the automatic buying and selling of stocks which is inherent in index tracking aggravates extremes in share price valuations.

It also remains to be seen whether passive funds such as Exchange Traded Funds provide sufficient liquidity in a bear market because they have not been tested in their current size. By contrast, City of London's gross assets now exceed £1.5 billion and its market capitalisation stands at just under that figure. Our size means that we provide investors with a ready liquid market in our shares and our closed end status enables us to ride out market setbacks without being forced into selling sound investments at inopportune moments.

New Long Term Borrowings

Since the year end, on 15 September 2017, City of London raised £50 million of fixed rate 32 year private placement notes at an annualised coupon of 2.94%. The notes are repayable on 17 November 2049 and rank pari passu with all other secured indebtedness of the Company.

At a time when the Company continues to grow, both through investment performance and share issuance, your Board considers it appropriate to lock in additional long term funding at rates which are low relative to historical standards and at an absolute cost which is appreciably lower than the yield on the Company's investment portfolio. This should enhance City of London's long term performance.

Annual General Meeting

The Annual General Meeting will be held at the offices of Janus Henderson Investors, 201 Bishopsgate, London EC2M 3AE on Tuesday 31 October 2017. 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

The UK's negotiations to exit the European Union are set to dominate the political and business news in the year ahead. The uncertainty as to the UK's future trading relationship with the EU will continue to affect adversely business investment. Inflation should moderate, giving some respite to the consumer, as the effect of the lower level of sterling falls out of annual comparisons. Looking overseas, the momentum of economic growth is now well entrenched in the US and Europe.

City of London's relatively high weighting in large capitalisation equities should be an advantage in the year ahead if growth is more rapid overseas. In any case, the dividend yield of large capitalisation equities is significantly higher with the FTSE 100 Index yielding 3.8% compared with 2.7% for the FTSE Mid 250 and 2.8% for the FTSE Small Cap. Compared with the other traditional income streams of fixed interest and property, equities provide an attractive combination of yield and income growth.

Were the long-running bull market in equities to suffer a significant setback in the coming year, I believe that our portfolio is appropriately positioned. We are invested in high quality companies with strong balance sheets and an attractive combination of yield and dividend growth prospects. Against this background, City of London is well placed to continue to grow its dividend ahead of inflation and produce competitive total returns for its shareholders.

Philip Remnant CBE
Chairman

FUND MANAGER'S REPORT

Investment Background

World stock markets performed strongly against the background of synchronised economic growth from the major economies. The US economy continued to grow steadily but there was a marked improvement in growth in Europe helped by low interest rates and bond purchases from the ECB. To the surprise of some, the Chinese economy continued to grow at a rapid rate. In the UK, growth was helped in the second half of 2016 by the cut in the base rate from 0.5% to 0.25% and exporters benefited from the lower level of sterling. In the first half of 2017, growth weakened in the UK as rising inflation adversely affected consumer spending and business investment was somewhat curtailed due to the uncertainty about the UK's future trading relationship with the EU. Overall, the UK equity market, where some 70% of company sales are from overseas, produced a total return of 18.1% over the twelve months.

UK £ versus Euro and US$

In the foreign exchange market, the main feature over the year was the strength of the euro, reflecting the upturn in the eurozone economy. Sterling fell by 5.8% against the euro over the twelve month period. Against the US dollar, sterling started the period at an exchange rate of 1.33, fell to a low of 1.21 in January before rallying to 1.30 by the end of June 2017. All in all, the weaker level of sterling compared with the previous year provided a favourable boost to profits and dividends from foreign operations and improved the competitive edge of exporters.

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

The oil price rallied towards the end of 2016 after OPEC, the oil producing countries' cartel, agreed to cut its production. Oil remains an important component in the cost of living and so the rise in the oil price had an upward impact on inflation. During the first half of 2017, the oil price gave up its gains because US oil production rose rapidly in response to the higher oil price and the lower cost of production from shale oil producers as a result of innovation and new technology.

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

The cut in the base rate from 0.5% to 0.25% in August was accompanied by the 10 year gilt yield falling to 0.6%, the lowest level in history. In the weeks after the Brexit referendum, there was a high degree of pessimism in the financial markets about the UK economic growth prospects. Over the following months, UK economic growth proved to be more robust than had been expected and consequently 10 year gilt yields rose to end the period at 1.2%. Throughout the twelve months the dividend yield of the UK equity market, which ranged between 3.4% and 3.7%, remained significantly in excess of 10 year gilt yields and the base rate. Over the twelve months, companies in City of London's portfolio increased their dividends on average by 4.0% (excluding special dividends). Gearing started the period at 8.0% and fell slightly over the twelve months to 5.5% at the end of June 2017. Gearing contributed positively to performance relative to the FTSE All-Share by 0.61%. The contribution from gearing would have been higher but for the cost of 0.54% from our decision to fair value the 4.53% 2029 Notes, in line with what had become standard investment trust practise.

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

	2017	2016
	%	%
Stock Selection	**-3.84**	+1.54
Gearing	**+0.61**	-0.32
Expenses	**-0.42**	-0.42
Share Issues	**+0.07**	+0.11
Total	**-3.58**	+0.91

Source: Janus Henderson

In contrast to the previous year, stock selection detracted from performance relative to the FTSE All-Share Index in the year under review. A key reason for this was the underperformance of higher yielding shares relative to lower yielding ones. City of London as part of its investment objective is biased towards stocks with an above average dividend yield which has been a successful strategy in the long run.

Performance of Higher Yielding Shares Compared with Lower Yielding Shares

Over the twelve month period, the FTSE 350 Lower Yield Index outperformed helped by strong performance from sectors with low dividend yields such as mining and technology.

Portfolio Review

The portfolio biggest sector contribution to performance against the FTSE All-Share Index was from housebuilding. Consumer confidence in the housing market did not appear to have been affected by the referendum result and the interest rate cut from 0.5% to 0.25% in August 2016 helped stimulate demand. The three housebuilders held in the portfolio were able to meet demand at an attractive profit margin. Persimmon produced a share price return of 64%, Taylor Wimpey 41% and Berkeley 37%. All three companies have large land banks, acquired at attractive prices, so are well placed to fulfil some of the demand for UK housing going forward. In addition, the holding in Ibstock, the leading UK brick maker also benefited from the robust demand for new homes and performed strongly with a return of 96%. New investments were made in two housing related Real Estate Investment Trusts which offered an attractive dividend yield: Civitas Social Housing which invests in social houses and PRS which invests in private sector rental houses.

The second biggest sector contributor was pharmaceuticals where the portfolio had a below average market exposure to GlaxoSmithKline and AstraZeneca. Both companies are in the process of replacing old medicines which have lost their patents with new drugs that they have researched and developed. Given the opportunities available globally in the sector, three overseas pharmaceutical companies are held: Merck and Johnson & Johnson of the US and Novartis of Switzerland. Merck had a particularly successful year because it has emerged as the world leader in immunotherapy, a type of cancer treatment that boosts the body’s natural defences to fight cancer. Bristol Myers Squibb had a disappointing drug trial in this field and was sold. In the health care equipment sector, a new holding was bought in Smith & Nephew, which is focussed on surgical devices, such as knee and hip implants which have favourable demographics with the ageing population.

The third biggest sector contributor was the below average exposure to oil and gas producers. As recently as 2014, the Brent price for oil was above $90 per barrel (“/bbl.”). Over the year under review, the oil price traded between $42/bbl and $57/bbl as discussed above. Both Royal Dutch Shell and BP have been making dramatic changes to their cost base in order to afford their dividends at the lower oil price level. In addition, the benefits from Royal Dutch Shell’s acquisition of BG began to come through.

The sector which detracted most from performance was banks. Although HSBC was the third largest holding in the portfolio, our exposure was below the market average. Confidence built in HSBC’s capital position and with its large US deposit base it benefited from the rise in US interest rates. Additions were made to Lloyds Banking where the capital ratios are much improved. It delivered attractive dividends and moved over the year from twentieth to ninth largest holding.

The second biggest detractor was mining where Rio Tinto and BHP Billiton were held but overall the portfolio was significantly under represented relative to the market average. Rio Tinto produced a return of 47% and BHP Billiton 28%.The profits of the miners are dependent on commodity prices and dividends have been variable with cuts during downturns. Over the twelve months, iron ore, which is particularly important for BHP Billiton and Rio Tinto, traded between $54/metric tonne and $95/metric tonne.

This level of the iron ore price enabled Rio Tinto and BHP Billiton to generate significant cash flow and reduce debt. Additions were made to BHP Billiton and with balance sheets having improved and dividends restored, going forward the mining sector has become more investable.

The third biggest sector detractor was gas, water and multiutilities. Utilities were adversely affected by the preference for more cyclical stocks as economic growth picked up globally. In addition, there was nervousness ahead of a water sector regulatory review in 2019. The closer than expected general election result was a further negative given that the Labour Party manifesto had committed to nationalising some utilities. It is hard to see the UK benefiting from utilities returning to state ownership with the significant investment needed in electricity, gas and water infrastructure and the continued improvements in efficiency made over the years by private companies under independent regulation. A large holding was maintained in National Grid which has some 40% of its operations in the US. A new holding was bought in Innogy, which has regulated electricity and gas distributions networks, mainly in Germany, as well as renewable electricity generation and retail operations in a number of European countries including the UK. Its dividend yield was attractive relative to European government bond yields.

The low level of government bond yields was also supportive of commercial real estate. There were some record purchases of trophy office buildings in London from overseas purchases benefiting from the lower level of sterling. However, share prices stayed at discounts to net asset values for Real Estate Investment Trusts (REITs) focussed on office and retail property, reflecting concerns about future rental and capital growth. Given the quality of income from leading REITs with strong tenants on long leases, holdings were maintained in the sector. The holding in GCP Student Living, which owns student accommodation and had performed very well, was sold on a premium to its net asset value.

Retailers underperformed partly due to cyclical factors with the squeeze on consumer spending caused by prices rising faster than wages. Structural factors were also a factor with the rise of internet retailers, such as Amazon, displacing traditional high street retailers. The high degree of investor pessimism on the prospects for retailers was reflected in low share price valuations which offered an opportunity in well managed, competitive retailers. Two new retail holdings were bought: Dixons Carphone, the electrical goods and mobile phone retailer and DFS, the UK furniture manufacturer and retailer. In addition, a holding was bought in the IPO of Ten Entertainment, which is the UK's second largest bowling operator, and offered attractive dividend prospects on a modest valuation

A sector where reductions were made was support services where several companies reported downgrades. Judging the level of profitability of long-term contracts is difficult. The holdings in Capita and Interserve were sold after they both surprised negatively and had relatively high levels of debt. Berendsen, the textile cleaning service company, had a profits warning relating to its UK operations. Subsequently, it had a takeover approach from Elis of France and the holding was sold.

Rolls-Royce also disappointed partly due to downgrades of profitability on the long-term maintenance contracts associated with the aircraft engines that it sells. With its dividend having been reduced, the stock was on a low yield and was sold. A new investment was made in Rotork the market leading actuator manufacturer and flow control company where there were signs of the capital expenditure intentions of its customers improving.

In life insurance, a new holding was bought in Aviva, with its spread of UK and overseas insurance operations. Legal & General was sold because of its focus on annuities which have high capital demands from the UK regulators. Additions were made to Prudential, which has leading insurance operations in Asia and the US as well as the UK. It rose from thirteenth largest holding in the portfolio to end the period as seventh largest.

There were three other disposals: Greencore which had performed very well and where its valuation seemed to reflect fully prospects from its food manufacturing operations; Laird where there was a profit warning and the dividend was omitted; and Syngenta which agreed a takeover from China National Chemical Corp.

Distribution of the Portfolio as at 30 June 2017
The portion of the portfolio invested in large UK listed companies increased slightly over the year from 68% to 69%. The position in overseas listed companies declined from 13% to 12% partly because opportunities to invest overseas were less attractive following the sharp fall in sterling in June 2016. The portion invested in medium-sized and small UK listed companies remained the same at 19%.

Portfolio Outlook
The portfolio is well diversified and should benefit from growth opportunities in the UK and overseas as well as having defensive qualities. Looking at the largest holdings, there are three consumer staples companies among our top five: British American Tobacco, Diageo and Unilever. These are global companies with strong positions in developed markets as well as emerging markets. Their share prices have performed well over the years but we are confident that this should continue as they steadily grow their profits and dividends backed by strong brands. The value in Unilever was highlighted by the takeover approach it received from Kraft Heinz of the US. Oil companies Royal Dutch Shell and BP are among the ten largest investments in the portfolio. Both companies are adapting to a lower oil price environment by significantly reducing their costs. Their dividend yields remains very attractive.

There are now three financial stocks in the top ten. HBSC and Prudential are both global companies with significant interests in Asia Pacific where demand for financial services and products is growing rapidly. Lloyds Banking is focussed on the UK where it is the market leader in many areas of retail banking. Also in the top ten are Vodafone and GlaxoSmithKline, which are both global companies and in both cases we believe that growth is improving.

All in all, the portfolio is well positioned with a range of companies that can grow their dividends. It is not overly reliant on any one particular type of business activity and has significant overseas exposure.

Job Curtis
Fund Manager

FORTY LARGEST INVESTMENTS as at 30 June 2017

Position	Company	Sector	Market Value £'000	Portfolio %
1	**British American Tobacco**	Tobacco	**74,597**	4.94
2	**Royal Dutch Shell**	Oil & Gas Producers	**67,771**	4.49
3	**HSBC**	Banks	**65,477**	4.34
4	**Diageo**	Beverages	**44,439**	2.95
5	**Unilever**	Personal Goods	**41,142**	2.73
6	**Vodafone**	Mobile Telecommunications	**40,829**	2.71
7	**Prudential**	Life Insurance	**40,506**	2.68
8	**GlaxoSmithKline**	Pharmaceuticals & Biotechnology	**38,271**	2.54
9	**Lloyds Banking**	Banks	**38,098**	2.53
10	**BP**	Oil & Gas Producers	**37,766**	2.50
Top 10 = 32.41% of the portfolio			**488,896**	**32.41**
11	**RELX**	Media	**34,647**	2.30
12	**National Grid**	Gas Water & Multiutilities	**28,111**	1.86
13	**Imperial Brands**	Tobacco	**25,664**	1.70
14	**SSE**	Electricity	**25,116**	1.66
15	**BAE Systems**	Aerospace & Defence	**24,755**	1.64
16	**Taylor Wimpey**	Household Goods & Home Construction	**23,787**	1.58
17	**Reckitt Benckiser**	Household Goods & Home Construction	**22,829**	1.51
18	**Persimmon**	Household Goods & Home Construction	**22,424**	1.49
19	**AstraZeneca**	Pharmaceuticals & Biotechnology	**22,286**	1.48
20	**Phoenix**	Life Insurance	**21,354**	1.41
Top 20 = 49.04% of the portfolio			**739,869**	**49.04**
21	**Verizon Communications**	Fixed Line Telecommunications	**21,128**	1.40
22	**Rio Tinto**	Mining	**19,042**	1.26
23	**Land Securities**	Real Estate Investment Trusts	**18,464**	1.23
24	**BT**	Fixed Line Telecommunications	**18,121**	1.20
25	**Croda International**	Chemicals	**17,668**	1.17
26	**Compass**	Travel & Leisure	**17,545**	1.16
27	**Schroders**	Financial Services	**17,379**	1.15
28	**Nestlé**	Food Producers	**17,002**	1.13
29	**Berkeley**	Household Goods & Home Construction	**15,385**	1.02
30	**British Land**	Real Estate Investment Trusts	**14,985**	0.99
Top 30 = 60.75% of the portfolio			**916,588**	**60.75**
31	**Provident Financial**	Financial Services	**14,598**	0.97
32	**Hiscox**	Nonlife Insurance	**14,185**	0.94
33	**Aviva**	Life Insurance	**13,676**	0.91
34	**TUI Group**	Travel & Leisure	**13,000**	0.86
35	**Standard Life**	Life Insurance	**12,771**	0.85
36	**Barclays**	Banks	**12,754**	0.85
37	**Greene King**	Travel & Leisure	**12,734**	0.84
38	**Spirax-Sarco Engineering**	Industrial Engineering	**12,717**	0.84
39	**Centrica**	Gas Water & Multiutilities	**12,393**	0.82
40	**BHP Billiton**	Mining	**11,760**	0.78
Top 40 = 69.41% of the portfolio			**1,047,176**	**69.41**

Convertibles and 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 result of the UK referendum on leaving 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:

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 on 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 have 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 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. 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 (2016: £120.0m) with HSBC Bank plc, of which £10.2m was drawn at the year end (2016: £26.0m). The Company also has two debentures totalling £40.0m (2016: £40.0m) and £34.6m (2016: £34.6m) of secured notes. The level of gearing at 30 June 2017 was 5.5% of net asset value (2016: 8.0%).

On 15 September 2017 the Company agreed to issue £50m of fixed rate 32-year secured private placement notes at an annualised coupon of 2.94%. The funding date will be 17 November 2017, with interest payable semi-annually on 17 May and 17 November (first payment on 17 May 2018). The principal repayment date will be 17 November 2049. The purpose is to secure fixed rate long dated sterling denominated financing at a pricing level the Company considers attractive and to take advantage of the Company's flexibility to utilise both short and long term gearing in order to enhance performance.

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 ratio of 0.42% 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 and 4.53% secured notes 2029 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 5.2%.
- 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 long term 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. These matters were assessed over an initial period to June 2021, and the Directors will continue to 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 2022.

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 given 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

INCOME STATEMENT

Notes		Year ended 30 June 2017 Revenue return £'000	Year ended 30 June 2017 Capital return £'000	Year ended 30 June 2017 Total return £'000	Year ended 30 June 2016 Revenue return £'000	Year ended 30 June 2016 Capital return £'000	Year ended 30 June 2016 Total return £'000
	Gains/(losses) on investments held at fair value through profit or loss	**-**	**132,750**	**132,750**	-	(10,641)	(10,641)
2	Income from investments held at fair value through profit or loss	**64,172**	**-**	**64,172**	60,219	-	60,219
3	Other interest receivable and similar income	**254**	**-**	**254**	216	-	216
	Gross revenue and capital gains/(losses)	**64,426**	**132,750**	**197,176**	60,435	(10,641)	49,794
	Management fees	**(1,484)**	**(3,462)**	**(4,946)**	(1,326)	(3,093)	(4,419)
	Other administrative expenses	**(688)**	**-**	**(688)**	(672)	-	(672)
	Net return on ordinary activities before finance costs and taxation	**62,254**	**129,288**	**191,542**	58,437	(13,734)	44,703
	Finance costs	**(1,794)**	**(3,819)**	**(5,613)**	(1,916)	(4,103)	(6,019)
	Net return on ordinary activities before taxation	**60,460**	**125,469**	**185,929**	56,521	(17,837)	38,684
	Taxation on net return/(loss) on ordinary activities	**(1,042)**	**-**	**(1,042)**	(845)	-	(845)
	Net return/(loss) on ordinary activities after taxation	**59,418**	**125,469**	**184,887**	55,676	(17,837)	37,839
4	**Return per ordinary share basic and diluted**	**17.83p**	**37.64p**	**55.47p**	17.42p	(5.58p)	11.84p

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 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 on ordinary activities 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**
		======	======	=====	======	=====	======

	Year ended 30 June 2016	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 2015	76,921	346,149	2,707	724,379	38,356	1,188,512
	Net return on ordinary activities after taxation	-	-	-	(17,837)	55,676	37,839
7	Issue of 17,475,000 new ordinary shares	4,369	62,042	-	-	-	66,411
6	Dividends paid	-	-	-	-	(50,176)	(50,176)
		----------	-----------	---------	-----------	----------	----------
	At 30 June 2016	81,290	408,191	2,707	706,542	43,856	1,242,586
		======	======	=====	======	=====	======

STATEMENT OF FINANCIAL POSITION

Notes		Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
	Fixed assets		
	Investments held at fair value through profit or loss		
	Listed at market value in the United Kingdom	**1,335,266**	1,172,910
	Listed at market value overseas	**173,413**	168,509
	Investment in subsidiary undertakings	**347**	347
		1,509,026	1,341,766
	Current assets		
	Debtors	**12,309**	9,429
		12,309	9,429
	Creditors: amounts falling due within one year	**(15,381)**	(32,610)
	Net current liabilities	**(3,072)**	(23,181)
	Total assets less current liabilities	**1,505,954**	1,318,585
	Creditors: amounts falling due after more than one year	**(76,032)**	(75,999)
	Net assets	**1,429,922**	1,242,586
	Capital and reserves		
7	Called up share capital	**84,853**	81,290
	Share premium account	**461,753**	408,191
	Capital redemption reserve	**2,707**	2,707
	Other capital reserves	**832,011**	706,542
	Revenue reserve	**48,598**	43,856
5	**Total shareholders' funds**	**1,429,922**	1,242,586
5	**Net asset value per ordinary share – basic and diluted**	**421.30p**	382.15p

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 201 Bishopsgate, London EC2M 3AE.

The financial statements have been prepared in accordance with Companies Act 2006, FRS102, 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 January 2017with consequential amendments. The date of transition to FRS 102 was 1 July 2014. The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures as published in March 2016.

The principal accounting policies applied in the preparation 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 values of the subsidiary undertakings are not less than the amounts at which they are included in the financial statements.

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

	2017 £'000	2016 £'000
Franked UK dividends:		
Listed – ordinary dividends	**48,779**	46,028
Listed – special dividends	**2,801**	2,833
	---------	---------
	51,580	48,861
	---------	---------
Unfranked – listed investments:		
Dividend income – overseas investments	**10,244**	9,223
Dividend income – overseas investments - special dividends	**39**	-
Dividend income – UK REIT	**2,279**	2,006
Scrip dividends	**30**	129
	---------	---------
	12,592	11,358
	---------	---------
	64,172	60,219
	=====	=====

3. Other interest receivable and similar income

	2017 **£'000**	2016 £'000
Underwriting commission (allocated to revenue) [1]	**125**	31
Stock lending revenue	**129**	185
	-------	-------
	254	216
	====	====

[1] During the year the Company was not required to take up shares in respect of its underwriting commitments (2016: none).

At 30 June 2017 the total value of securities on loan by the Company for stock lending purposes was £60,385,000 (2016: £15,251,000). The maximum aggregate value of securities on loan at any one time during the year ended 30 June 2017 was £138,097,000 (2016: £111,060,000). The Company's agent holds collateral at 30 June 2017, with a value of £79,120,000 (2016: £16,020,000) 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 131% (2016: 105%) of the market value of any securities on loan.

4. Return/(loss) per ordinary share – basic and diluted

The return per ordinary share is based on the net return on ordinary activities after taxation attributable to the ordinary shares of £184,887,000 (2016: £37,839,000) and on 333,324,047 ordinary shares (2016: 319,488,967), 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:

	2017 **£'000**	2016 £'000
Net revenue return	**59,418**	55,676
Net capital return/(loss)	**125,469**	(17,837)
	----------	----------
Net total return	**184,887**	37,839
	======	======
Weighted average number of ordinary shares in issue during the year	**333,324,047**	319,488,967

	2017 **Pence**	2016 Pence
Revenue return per ordinary share	**17.83**	17.42
Capital return/(loss) per ordinary share	**37.64**	(5.58)
	----------	----------
Total return per ordinary share	**55.47**	11.84
	======	======

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 £1,429,922,000 (2016: £1,242,586,000) and on 339,409,868 (2016: 325,159,868) shares in issue on 30 June 2017.

6. Dividends paid on the ordinary shares

	Record date	Payment date	2017 £'000	2016 £'000
Fourth interim dividend (3.90p) for the year ended 30 June 2015	31 July 2015	28 August 2015	-	**12,119**
First interim dividend (3.90p) for the year ended 30 June 2016	23 October 2015	30 November 2015	-	**12,376**
Second interim dividend (3.90p) for the year ended 30 June 2016	29 January 2016	29 February 2016	-	**12,560**
Third interim dividend (4.05p) for the year ended 30 June 2016	29 April 2016	31 May 2016	-	**13,109**
Reclaimed dividends from previous years			-	**12**
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**	-
			--------	--------
			54,676	**50,176**
			=====	=====

In accordance with FRS 102, dividends are not accrued in the financial statements unless they have been approved by shareholders before the Statement of Financial Position date. 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 4.30p (2016: 4.05p) per ordinary share in respect of the year ended 30 June 2017 was paid on 31 August 2017 to shareholders for a total consideration of £14,648,000.

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 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
	=========	======
Allotted and issued ordinary shares of 25p each		
At 1 July 2015	307,684,868	76,921
Issue of new ordinary shares	17,475,000	4,369
	----------------	-----------
At 30 June 2016	325,159,868	81,290
	=========	======

During the year the Company issued 14,250,000 (2016: 17,475,000) ordinary shares with total proceeds of £57,125,000 (2016: £66,411,000). There were no issue costs in year to 30 June 2017 (2016: £88,000). The average price of the ordinary shares that were issued was 400.9p (2016: 380.0p).

8. Subsequent Events

The Company has agreed to issue £50m of fixed rate 32-year secured private placement notes (the "Notes") at an annualised coupon of 2.94%. The funding date will be 17 November 2017, with interest payable semi-annually on 17 May and 17 November (first payment on 17 May 2018). The principal repayment date will be 17 November 2049. The Notes shall be direct secured obligations of the Company and rank pari passu with all other secured indebtedness of the Company. The purpose of the Notes is to secure fixed rate long dated Sterling denominated financing at a pricing level the Company considers attractive and to take advantage of the Company's flexibility to utilise both short and long term gearing in order to enhance performance.

9. 2017 Financial information

The figures and financial information for the year ended 30 June 2017 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 2017 have been audited but have not yet been delivered to the Registrar of Companies. The Independent Auditors' Report on the 2017 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.

10. 2016 Financial information

The figures and financial information for the year ended 30 June 2016 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.

11. Annual Report and Annual General Meeting

The Annual Report will be posted to shareholders in late September 2017 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 Tuesday 31 October 2017 at 2.30pm. The Notice of Meeting will be sent to shareholders with the Annual Report.

For further information please contact:

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