THE CITY OF LONDON INVESTMENT TRUST PLC

Annual Report 2014

MANAGED BY
Henderson
GLOBAL INVESTORS

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Contents

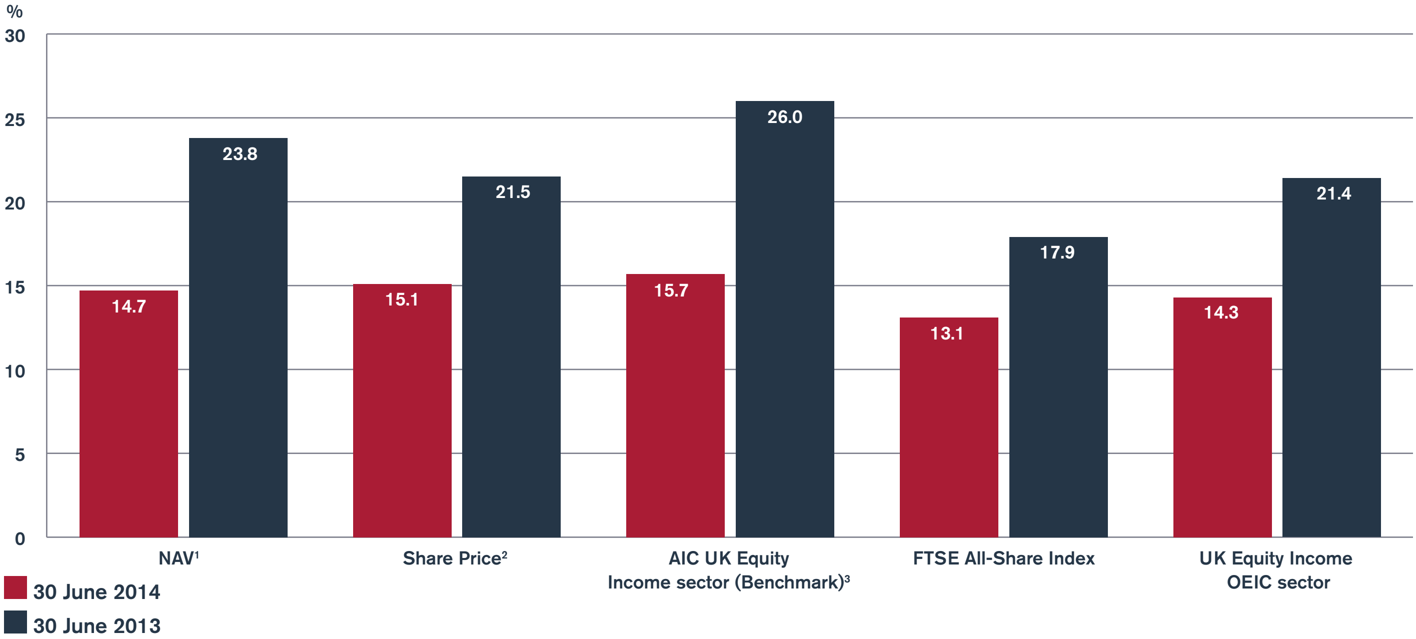
Strategic Report

"City of London's net asset value total return was 14.7% for the year to 30 June 2014 and follows on from a return of 23.8% for the previous financial year. The dividend was increased for the 48th consecutive year, by 3.2%, and our ongoing charges fell slightly to 0.43% which remains the lowest in the AIC UK Equity Income sector."

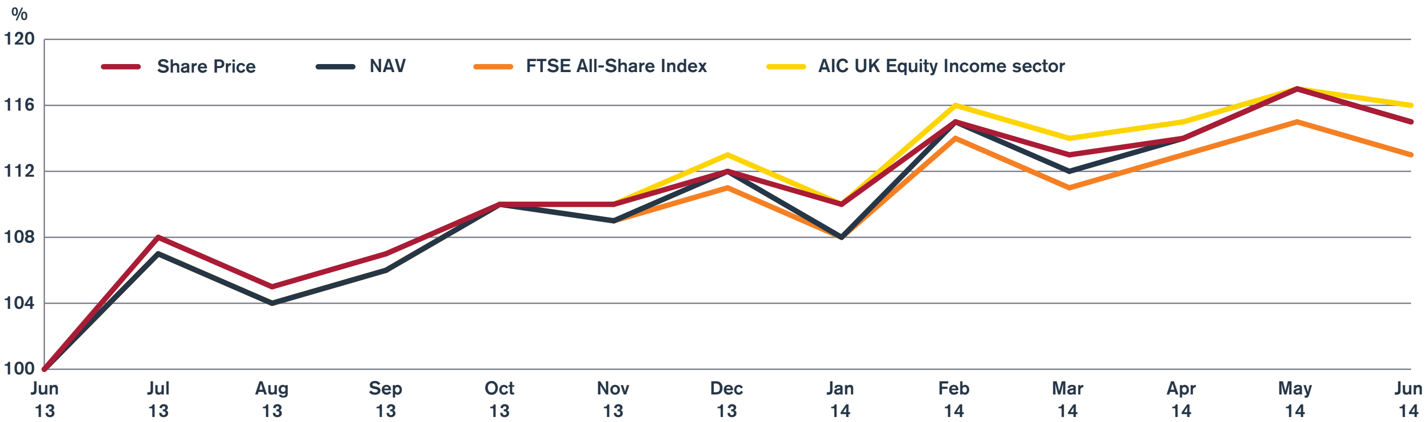
Philip Remnant CBE, Chairman

Strategic Report: Performance Highlights

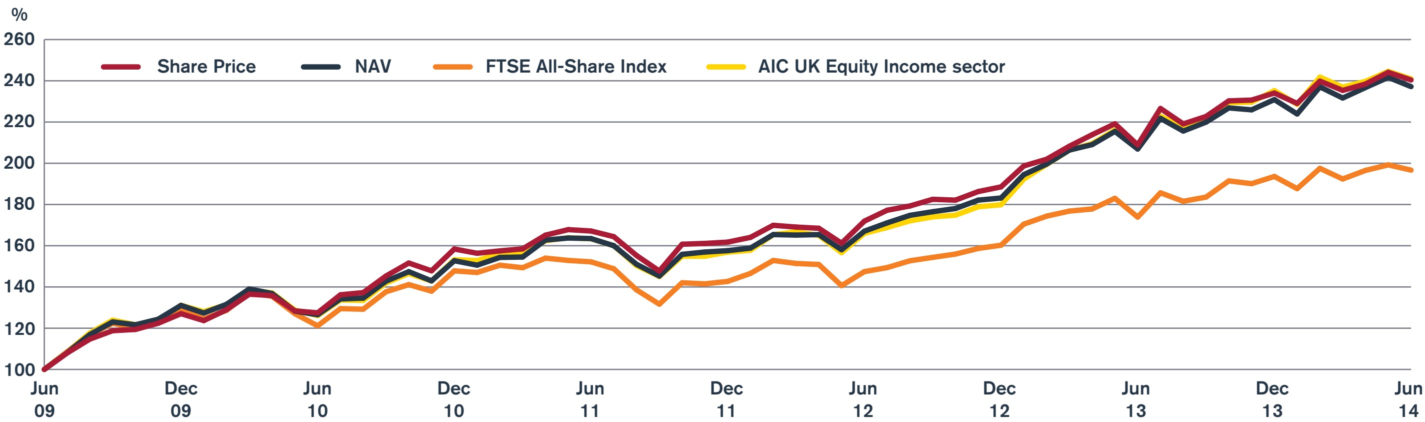
Total Return Performance for year to 30 June



Total Return Performance over the financial year to 30 June 2014

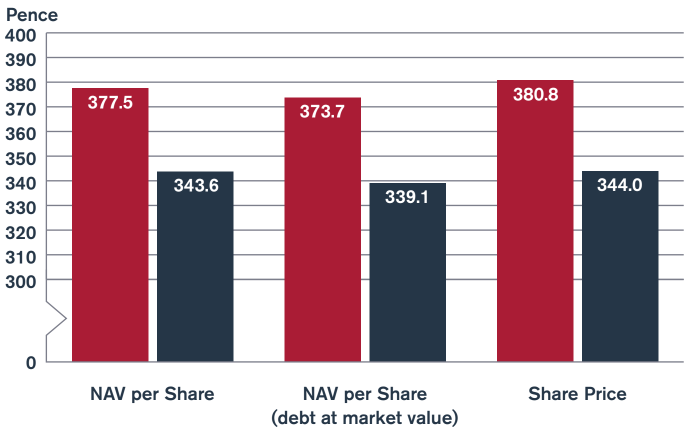


Total Return Performance over the last five years

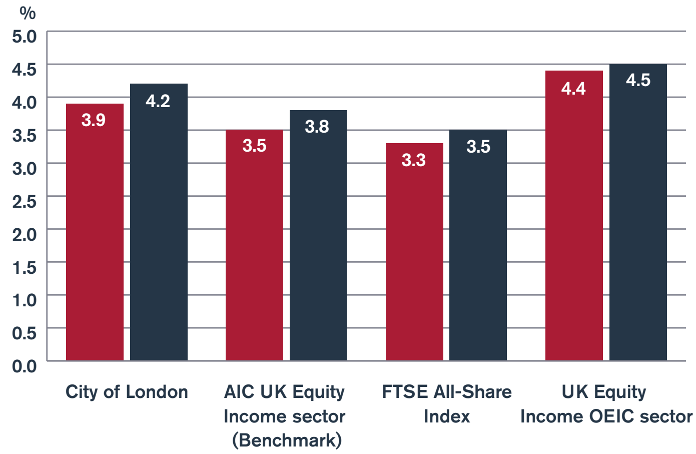


Strategic Report: Performance Highlights (continued)

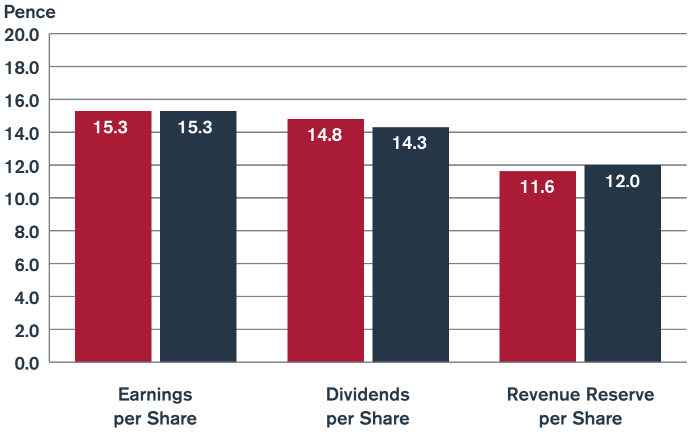
NAV & Share Price



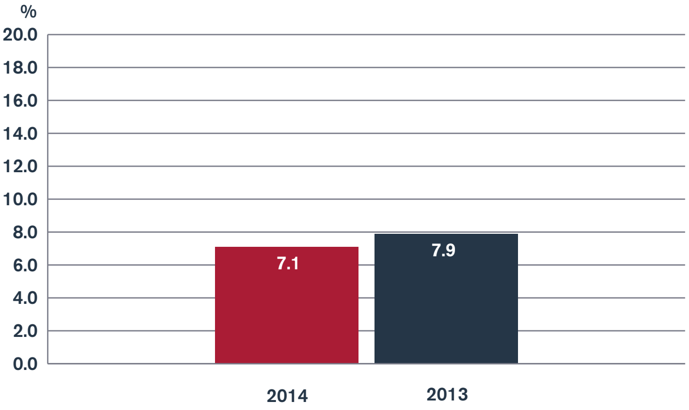
Dividend Yields



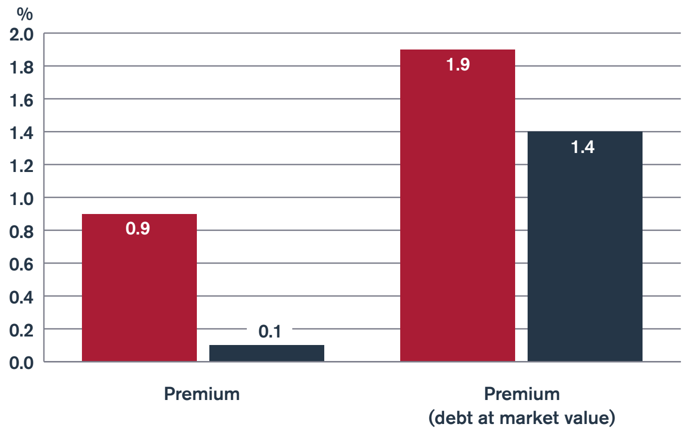
Revenue per Share



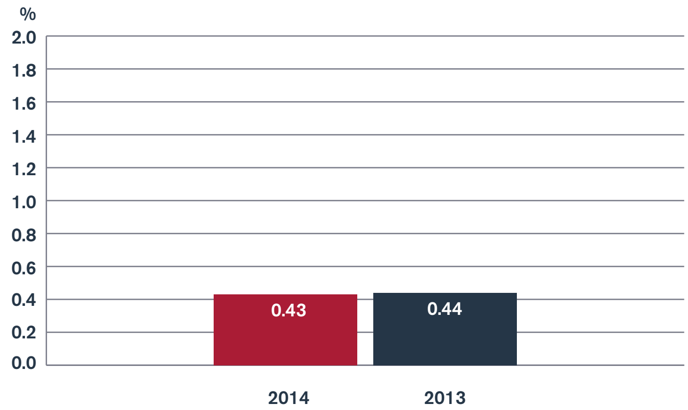
Gearing at year end



Premium



Ongoing Charges for year



30 June 2014
30 June 2013

1 Net asset value total return (including dividends reinvested). This is based on preliminary estimates made by the AIC, which is the industry recognised source for performance data, and does not reflect any subsequent changes in the year end NAVs reflected in this report.
2 Share price total return.
3 AIC UK Equity Income sector size weighted average NAV total return (shareholders funds).
Sources: Morningstar for the AIC, Henderson, Datastream.

Strategic Report: Business Model

Investment Objective

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

Investment Approach

Our Fund Manager, Job Curtis, has been managing City of London since 1 July 1991. He is an executive of Henderson Global Investors Limited and is a member of the Global Equity Income team. Job is assisted in the management of the portfolio by Alex Crooke, David Smith, Ben Lofthouse and Laura Foll. He manages the portfolio in a conservative way, focussing on companies with cash generative businesses able to grow their dividends with attractive yields. The portfolio is well diversified with some 69% invested in well known blue chip UK listed companies but it remains biased towards international companies invested in economies likely to grow faster than the UK. In times when savers have difficulty in receiving adequate returns on their investments, the portfolio aims to provide shareholders with dividends between 10% and 30% higher than the FTSE All-Share Index.

Investment Policy

Asset allocation

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

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

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

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

Gearing

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

Selling traded options where the underlying share is held in the portfolio can be used to generate income. Buying and selling FTSE 100 Index Futures can be used to increase or reduce gearing.

Diversification

The Company achieves an appropriate spread of investment risk principally through a broadly diversified portfolio, which at 30 June 2014 contained 118 individual investments (2013: 108) as detailed on pages 8, 9, 14 and 15. At 30 June 2014, the largest single investment was Royal Dutch Shell, which accounted for 5.87% of total investments, while the top 20 holdings totalled 49.86%.

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

Management

The Company has an independent Board of Directors which has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited in accordance with an agreement which was effective from 22 July 2014 which is terminable on six months notice. Both entities are authorised and regulated by the Financial Conduct Authority. For the year under review Henderson Global Investors Limited was the Investment Manager. References to Henderson within this report refer to the services provided by both entities. During the year under review the management fee was charged at a rate of 0.365% per annum for the first £1bn of net assets reducing to 0.35% of net assets above £1bn. No performance fees are payable. Fees are payable quarterly in arrears based on the level of assets at the relevant quarter end.

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

Liquidity and Discount Management

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

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

Savings

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

Strategic Report: Chairman's Statement

The Chairman of the Company, Philip Remnant, reports on the year to 30 June 2014

I am pleased to report on another satisfactory year. City of London's net asset value total return was 14.7% for the year to 30 June 2014 and follows on from a return of 23.8% for the previous financial year. Although this was behind the average for the AIC UK Equity Income sector, it was ahead of the FTSE All-Share Index and the average for the UK Equity Income OEIC sector. The dividend was increased for the 48th consecutive year, by 3.2%, and our ongoing charges fell slightly to 0.43% which remains the lowest in the AIC UK Equity Income sector.

The Markets

There was a marked difference in equity market returns between the first and second halves of the financial year. In the six months to 31 December 2013, the UK equity market returned 11.3% (as measured by the FTSE All-Share Index) while the return was only 1.6% in the six months to 30 June 2014. The rise of sterling together with weakness in some overseas economies led to downgrades in analysts' profit expectations for many companies in the first half of 2014. In addition, the strength of the UK economy, with the housing market buoyant, led investors to bring forward expectations of a rise in UK interest rates.

Performance

Earnings and Dividends

Earnings per share rose by 0.4% with the £4.4 million increase in investment income largely offset by the 25.0 million increase in shares in issue (weighted average). In addition, special dividends taken to income fell by £427,000 to £1,293,000 after an exceptional year in 2013 when they more than doubled.

Our results were significantly impacted by the strength of sterling as the UK economy recovered. Over the year, the pound appreciated by 12.4% against the US dollar. Some 22% of the dividends which City of London receives (from its holdings in UK companies such as HSBC and BP) are declared in dollars. As a result, the dividends actually received from those companies did not fairly reflect the underlying dividend growth at those companies whose profits too have suffered when translated into sterling. Despite this, City of London increased its own dividend by 3.2% over the previous year, ahead of the rate of inflation, and after accounting for the final dividend still added £729,000 to revenue reserves to underpin future dividends. This is the 48th consecutive year of unbroken dividend growth, a record unrivalled by any other investment trust.

The quarterly dividend will next be considered by the Board when the third interim is declared in April 2015.

Net Asset Value Total Return

City of London's total return was 14.7% which was 1.0% behind the size weighted average total for the AIC UK Equity Income sector but 1.6% ahead of the FTSE All-Share Index and 0.4% ahead of the average for the UK Equity Income OEIC sector.

We can best satisfy shareholders' income objectives by investing principally in large companies because it is those companies which tend to pay the higher dividends and carry the greater yield; on average, small and medium-sized stocks yield about 1% less than City of London's current yield. Our relative performance during the year against some of our peers has suffered from the continuing outperformance of small and medium-sized companies: they beat their FTSE 100 counterparts by 6.8% and 4.5% respectively. There was evidence in the second half of the year, however, of better relative strength of large companies and City of London's returns benefitted accordingly.

Expenses

Given that City of London's net assets now exceed £1 billion, our expenses are spread over a broader capital base, reducing costs to individual shareholders and increasing the attractiveness of our offering. The ongoing charge, which is the investment management fee and other non-interest recurring expenses as a percentage of equity shareholders' funds, fell from 0.44% last year to 0.43% which is extremely competitive compared with the OEIC market, with most other investment trusts and with other actively managed funds.

Share Issues

During the year under review, City of London's shares have been in strong demand and have continued to trade consistently at a premium. 26.8 million shares were issued, at a premium to net asset value, for proceeds of £99.2 million and enhancing the net asset value by 0.19%. In the past four years, City of London has issued 76.2 million new shares increasing its share capital by 36.5%.

Borrowing and Gearing

On 21 January 2014 City of London issued £35 million of fixed rate 15 year private placement notes (the "Notes") at an annualised coupon of 4.53%. The Notes are repayable on 22 January 2029 and are secured by a first floating charge over the Company's assets, ranking pari passu with our existing debentures. Our £6 million 11½% Debenture Stock is due for repayment on 31 December 2014.

An important factor in taking out this additional loan was to secure attractive long term fixed funding at rates which are low by historical standards. At a time when the Company continues to grow, both through investment performance and share issuance, the Notes provide City of London with a better balance between its short and long-term debt, and are expected to enhance long-term performance.

At the year end, gearing was 7.1% (2013: 7.9%) and over the year contributed 0.66% to our outperformance against the FTSE All-Share Index.

Strategic Report: Chairman's Statement (continued)

Benchmark

Following the removal of the performance fee element of the management fee arrangements with effect from 1 July 2013, the Board has considered whether it is still appropriate to use the yardstick for calculating that performance fee, the AIC UK Equity Income sector, as the Company's official benchmark. Virtually all of our peers in that sector have as their benchmark the FTSE All-Share Index, and indeed City of London also uses this index to measure its comparative performance.

In practice, the Board measures the Company's performance against not only the AIC UK Equity Income sector and the FTSE All-Share Index but increasingly also, given the more level playing field created by the Retail Distribution Review between investment trusts and open-ended products, against the broader UK Equity Income OEIC sector. Shareholders will now see performance statistics presented on this basis too.

Given the several yardsticks of comparison and the difficulty of selecting any one as a more relevant single benchmark, the Board has decided to leave unchanged the Company's existing benchmark.

Alternative Investment Fund Managers Directive ("AIFMD")

I reported last year on our progress towards complying with the AIFMD, a new piece of EU legislation which captures City of London within its scope. We are required to appoint an AIFM and a Depositary which is responsible for overseeing the Company's custody and cash management operations. The Board has appointed its Manager, Henderson, as AIFM and HSBC as Depositary. The Board has had to spend a significant amount of time on behalf of shareholders in considering the implications of the directive and in approving the resultant documentation and processes, to little discernible benefit to shareholders. The new arrangements will add modestly to the Company's cost base.

Annual General Meeting

The Annual General Meeting will be held at the offices of Henderson Global Investors, 201 Bishopsgate, London EC2M 3AE on Monday, 27 October 2014 at 2.30pm. All shareholders are most welcome to attend. As usual, Job Curtis, our Fund Manager, will be making a presentation.

Outlook

Economic growth has become established in the UK and US, and the debate has moved on as to when interest rates will be increased from the emergency level introduced during the financial crisis. In Europe, hopes of an improvement in growth are battling against the deflationary forces resulting from the continuing weakness of many European banks. Emerging markets continue to hold much long term potential despite current difficulties in some countries.

City of London's portfolio is predominantly invested in large international companies well placed to benefit from global growth. Share prices tend to discount the future and an element of derating is occurring during 2014 after the strong rise in share prices during 2013 and 2012, and ahead of a likely rise in interest rates. Given low UK inflation and the weakness in wage increases, any upward move in interest rates is likely to be gradual. As a result, equities are set to remain attractive on a dividend yield and growth basis relative to fixed interest and bank deposits. It is an environment which should play well to City of London's strengths.

Philip Remnant CBE
Chairman

Strategic Report: Historical Performance

Total Return Performance (including dividends reinvested and excluding transaction costs)

	1 year %	3 years %	5 years %	10 years %
Net asset value per ordinary share[1]	14.7	45.2	138.3	162.7
AIC UK Equity Income sector average – net asset value[2]	15.7	47.3	139.7	157.6
FTSE All-Share Index	13.1	29.2	96.7	128.8
UK Equity Income OEIC sector average	14.3	37.3	98.6	116.8

Share Price Performance Total Return

Value of £1,000 with net income reinvested	1 year £	3 years £	5 years £	10 years £
The City of London Investment Trust plc[3]	1,151.30	1,439.50	2,408.30	3,066.80
AIC UK Equity Income sector average	1,148.00	1,471.50	2,425.80	2,913.70
FTSE All-Share Index	1,131.15	1,292.29	1,966.72	2,287.65
UK Equity Income OEIC sector average	1,143.33	1,372.61	1,986.10	2,168.27

Ten Year Net Asset Value and Dividend Record

Year ended	Net Asset Value per Ordinary Share (p)[4]	Net Asset Value per Ordinary Share (rebased)[6]	Net Dividends per Ordinary Share (p)	Net Dividends per Ordinary Share (rebased)[6]
30 June 2004	218.8[5]	100.0	8.33	100.0
30 June 2005	256.9[5]	117.4	8.62	103.5
30 June 2006	294.7	134.7	9.36	112.4
30 June 2007	345.6	158.0	10.30	123.6
30 June 2008	274.4	125.4	11.60	139.3
30 June 2009	205.7	94.0	12.32	147.9
30 June 2010	245.0	112.0	12.66	152.0
30 June 2011	300.0	137.1	13.20	158.5
30 June 2012	292.9	133.9	13.74	164.9
30 June 2013	343.6	157.0	14.30	171.7
30 June 2014	**377.5**	**172.5**	**14.76**	**177.2**

1 Net asset value total return (including dividends reinvested). This is based on preliminary estimates made by the AIC, which is the industry recognised source for performance data, and does not reflect any subsequent changes in the year end NAVs reflected in this report.
2 AIC UK Equity Income sector size weighted average NAV total return (shareholders funds).
3 Share price total return.
4 Net asset value per ordinary share is calculated after deducting all prior charges, including the preference and preferred ordinary stocks, at par.
5 Restated – due to change in accounting policy for treatment of dividends payable.
6 Rebased to 100 at 30 June 2004.
Sources: Morningstar for the AIC, Henderson, Datastream.

Strategic Report: Portfolio Information

Forty Largest Investments at 30 June 2014

Position	Company	Sector	Market Value £'000	Percentage of Portfolio
1	Royal Dutch Shell	Oil & Gas Producers	67,637	5.87
2	British American Tobacco	Tobacco	52,170	4.53
3	HSBC	Banks	50,693	4.40
4	GlaxoSmithKline	Pharmaceuticals & Biotechnology	46,920	4.07
5	BP	Oil & Gas Producers	45,311	3.94
6	Diageo	Beverages	35,920	3.12
7	Unilever	Food Producers	28,610	2.48
8	Vodafone	Mobile Telecommunications	27,761	2.41
9	National Grid[1]	Gas, Water & Multiutilities	21,840	1.90
10	AstraZeneca[1]	Pharmaceuticals & Biotechnology	21,702	1.88
Top 10 = 34.60% of the portfolio			**398,564**	**34.60**
11	Scottish & Southern Energy (SSE)[2]	Electricity	21,155	1.84
12	Verizon Communications	Fixed Line Telecommunications	18,842	1.64
13	Reed Elsevier	Media	18,786	1.63
14	Prudential	Life Insurance	17,433	1.51
15	Rio Tinto	Mining	17,097	1.49
16	Land Securities	Real Estate Investment Trusts	17,094	1.48
17	BHP Billiton	Mining	17,005	1.48
18	Legal & General	Life Insurance	16,905	1.47
19	Centrica[2]	Gas, Water & Multiutilities	16,568	1.44
20	British Land	Real Estate Investment Trusts	14,683	1.28
Top 20 = 49.86% of the portfolio			**574,132**	**49.86**
21	BT	Fixed Line Telecommunications	14,049	1.22
22	Pearson	Media	13,848	1.20
23	Reckitt Benckiser	Household Goods & Home Construction	13,587	1.18
24	Imperial Tobacco	Tobacco	13,150	1.14
25	IMI	Industrial Engineering	12,361	1.07
26	Provident Financial	Financial Services	11,991	1.04
27	British Sky Broadcasting	Media	11,978	1.04
28	BAE Systems	Aerospace & Defence	11,472	1.00
29	United Utilities	Gas, Water & Multiutilities	11,025	0.96
30	Croda International	Chemicals	11,005	0.96
Top 30 = 60.67% of the portfolio			**698,598**	**60.67**
31	Amlin	Nonlife Insurance	11,000	0.95
32	Britvic	Beverages	10,185	0.88
33	Standard Life	Life Insurance	10,101	0.88
34	Whitbread	Travel & Leisure	9,920	0.86
35	Munich Re	Nonlife Insurance	9,735	0.85
36	Barclays Bank	Banks	9,576	0.83
37	Phoenix	Life Insurance	9,416	0.82
38	Marks & Spencer	General Retailers	9,320	0.81
39	Greene King	Travel & Leisure	9,278	0.81
40	Hiscox	Nonlife Insurance	8,784	0.76
Top 40 = 69.12% of the portfolio			**795,913**	**69.12**

The ten largest investments, represent 34.60% of the portfolio (convertibles, all classes of equity and all written call option positions in any one company being treated as one investment).

1 Not in the top 10 last year.

2 In the top 10 in 2013.

Strategic Report: Portfolio Information (continued)

Classification of Investments and Portfolio Weighting as at 30 June 2014

		Portfolio %	FTSE All-Share Index %	Relative to the FTSE All-Share
Oil & Gas	Oil & Gas Producers	10.8	15.0	-4.2
	Oil Equipment, Services & Distribution	0.4	0.6	-0.2
		11.2	**15.6**	**-4.4**
Basic Materials	Chemicals	1.8	0.6	+1.2
	Forestry & Paper	–	0.2	-0.2
	Industrial Metals & Mining	–	–	+0.0
	Mining	3.3	7.0	-3.7
		5.1	**7.8**	**-2.7**
Industrials	Aerospace & Defence	2.1	2.2	-0.1
	Construction & Materials	0.1	0.8	-0.7
	Electronic & Electrical Equipment	1.0	0.5	+0.5
	General Industrials	1.7	0.7	+1.0
	Industrial Engineering	2.4	1.0	+1.4
	Industrial Transportation	0.9	0.3	+0.6
	Support Services	2.1	4.5	-2.4
		10.3	**10.0**	**+0.3**
Consumer Goods	Automobiles & Parts	–	0.3	-0.3
	Beverages	4.0	4.1	-0.1
	Food Producers	4.1	2.4	+1.7
	Household Goods & Home Construction	2.1	2.5	-0.4
	Leisure Goods	–	–	+0.0
	Personal Goods	–	0.4	-0.4
	Tobacco	5.7	4.4	+1.3
		15.9	**14.1**	**+1.8**
Health Care	Health Care Equipment & Services	–	0.6	-0.6
	Pharmaceuticals & Biotechnology	7.3	7.9	-0.6
		7.3	**8.5**	**-1.2**
Consumer Services	Food & Drug Retailers	1.5	1.7	-0.2
	General Retailers	2.4	2.1	+0.3
	Media	4.5	3.1	+1.4
	Travel & Leisure	4.0	3.6	+0.4
		12.4	**10.5**	**+1.9**
Telecommunications	Fixed Line Telecommunications	3.5	1.7	+1.8
	Mobile Telecommunications	2.8	2.7	+0.1
		6.3	**4.4**	**+1.9**
Utilities	Electricity	1.8	0.9	+0.9
	Gas, Water & Multiutilities	5.8	2.9	+2.9
		7.6	**3.8**	**+3.8**
Financials	Banks	6.2	10.6	-4.4
	Equity Investment Instruments	1.1	3.4	-2.3
	Financial Services	2.8	2.2	+0.6
	Life Insurance	5.3	4.4	+0.9
	Nonlife Insurance	3.8	1.1	+2.7
	Real Estate Investment & Services	–	0.6	-0.6
	Real Estate Investment Trusts	3.7	1.7	+2.0
		22.9	**24.0**	**-1.1**
Technology	Software & Computer Services	0.7	0.5	+0.2
	Technology Hardware & Equipment	0.3	0.8	-0.5
		1.0	**1.3**	**-0.3**
Total 2014		**100.0**	**100.0**	

Strategic Report: Fund Manager's Report

The Fund Manager of the Company, Job Curtis, reports on the year to 30 June 2014

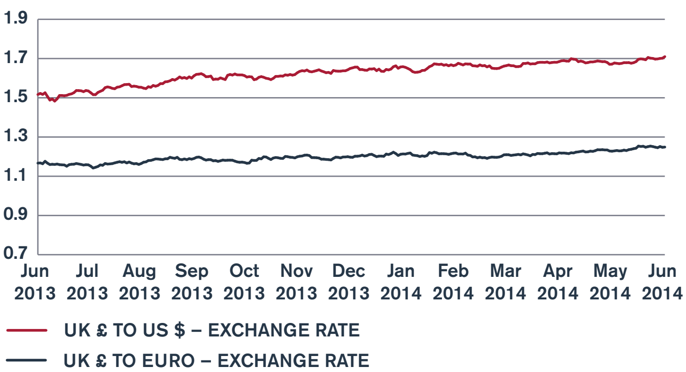
Investment Background

FTSE All-Share Total Return (rebased to 100)

Source: Datastream

During the twelve month period under review, the UK equity market, as measured by the FTSE All-Share Index, produced a total return of 13.1%. The vast majority of this return was achieved in the first six months which produced a total return of 11.3%. The UK economy performed well with the UK having the strongest growth out of the leading G7 developed countries. Notable features were the strength of the housing market and the growth in employment of some 820,000 which is one of the largest 12 month increases on record leading to the unemployment rate falling from 7.8% to 6.4%. Wage increases were subdued and inflation fell below the UK Government's 2% target.

UK £ versus Euro and US $

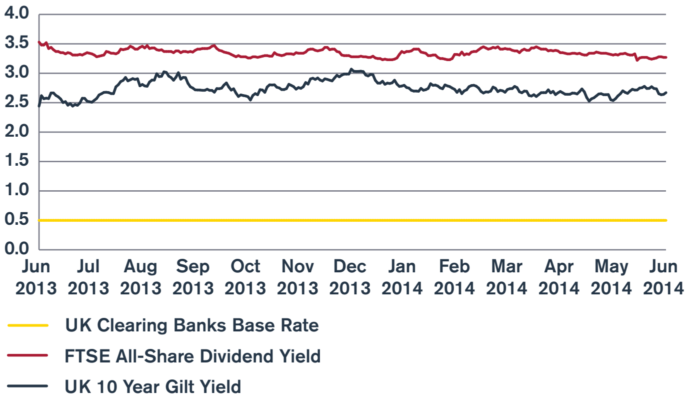


Source: Datastream

As a result of the strength of the economy, expectations of a rise in interest rates were brought forward and this was one important factor behind the sideways move in UK equity prices in the first six months of 2014. A second negative factor was sterling, which rose from 1.52 to 1.71 against the US dollar and from 1.17 to 1.25 against the euro, and had an adverse effect on the some 70% of UK stock market profits that are earned overseas as well as reduced competitiveness for exporters.

Overseas, the US economy was fundamentally strong but their severe winter had a negative impact on growth. In Europe, business surveys were markedly more optimistic and government bond yields fell sharply. This partly reflected greater confidence in the Euro's survival but also low inflation in the Eurozone with some observers concerned about deflation. Emerging markets were mixed but China still managed to grow above 7% despite much investor scepticism.

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



Source: Datastream

Throughout the twelve months, the UK equity dividend yield remained significantly in excess of both the yield of ten year gilt and base rates. Companies in City of London's portfolio on average increased their dividends by 6.1% (excluding special dividends). Given the equity market's combination of attractive dividend yield and growth, gearing was maintained in a range of 7% to 9% throughout the twelve months. As shown in the table, gearing contributed 0.66% to performance against the FTSE All-Share Index and stock selection contributed 1.14%.

Estimated Performance Attribution Analysis (relative to FTSE All-Share Index total return)

	2014	2013
Stock selection	+1.14%	+4.05%
Gearing	+0.66%	+2.11%
Expenses	-0.43%	-0.44%
Share issues	+0.19%	+0.23%
	+1.56%	**+5.95%**

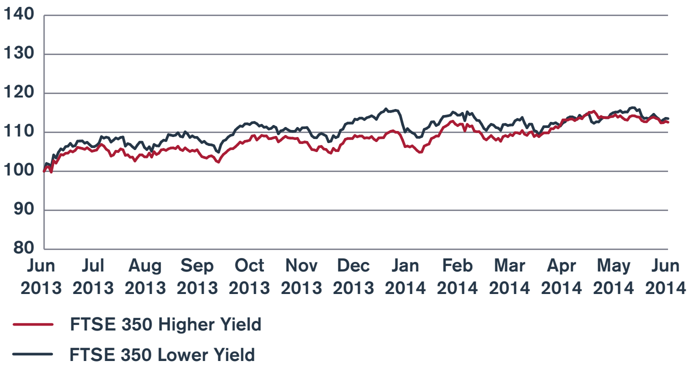
Source: Henderson

Strategic Report: Fund Manager's Report (continued)

Performance of Higher Yielding Shares compared with Lower Yielding Shares

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

FTSE 350 Higher Yield and Lower Yield Total Return (rebased to 100)



Source: Datastream

Over the twelve month period, the FTSE 350 Lower Yield Index slightly outperformed the FTSE 350 Higher Yield Index.

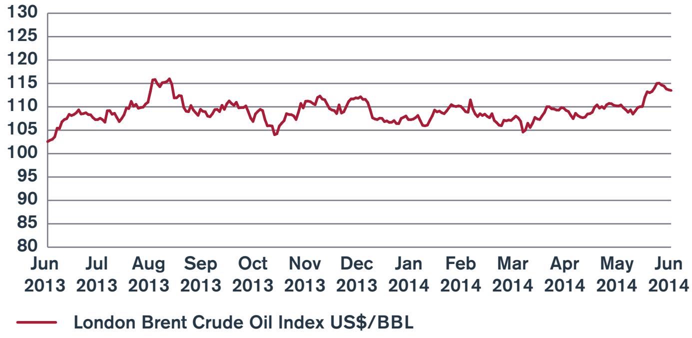
Portfolio Review

In the selection of investments for City of London's portfolio, prime importance is given to the extent to which the share price valuation of a company reflects its prospects. The main measure used to value shares is dividend yield but a range of other factors are considered. The sustainability of the dividend and the capacity for dividend growth are carefully assessed as are the macro economic conditions that affect a company's prospects. Overall, the approach is conservative with cash generative companies favoured and downside risks reviewed as carefully as upside potential.

In the past City of London's exposure to the mining sector has been relatively low because share price valuations seemed to be based on excessively optimistic assumptions for metal prices. In addition, mining companies did not seem to be focussed on shareholder value and were poor dividend payers. Having made dismal returns on past capital expenditure leading to poor share price performances, there were changes in the Chief Executives at BHP Billiton, Rio Tinto and Anglo American. Going forward there appears to be a greater focus on dividends for shareholders and a more disciplined approach to capital expenditure. In addition, investors' excessive optimism about mining shares dissipated and valuations were more reasonable. Given dividend yields better than the average for the market, the holding in Rio Tinto was increased and a new holding was bought in Anglo American.

The oil price traded in a tight range for most of the twelve months until geopolitical tension led to it rising in the second quarter of 2014.

London Brent Crude Oil Index US$/BBL



Source: Datastream

Royal Dutch Shell was a notable underperformer in the second half of 2013 with the oil price flat and as investor discontent grew at the lacklustre returns from their substantial capital expenditure. With a dividend yield of over 5% (and a dividend that has not been cut since the Second World War) as well as latent potential in its large asset base, Royal Dutch Shell appeared attractive. Additions were made to Royal Dutch Shell which became the Company's largest holding from fourth largest. In the first half of 2014, its share price recovered as its quarterly results improved and the oil price started to rise. Additions were also made to BP which rose from seventh to fifth largest holding. Elsewhere in the oil sector, the small holding in Gulf Keystone was sold after a disappointing independent appraisal of its main oilfield.

The biggest corporate event of the year in the UK stock market was the sale by Vodafone of its 45% stake in its joint venture, Verizon Wireless, the leading mobile telecommunications operator in the US, to its partner Verizon Communications of the US. The shares in Verizon Communications received by the Company were retained given their attractive valuation, including a dividend yield of 4.6%, and the strength of the business. Verizon Communications ended the year as the Company's twelfth largest holding. Also in the telecommunications sector, a holding was purchased in Manx Telecom, the Isle of Man's operator, which was floated on a 7.0% dividend yield.

A takeover of AstraZeneca by Pfizer of the US would have been the biggest transaction of the year if it had happened. Although AstraZeneca has some excellent prospects in its pipeline of drugs under development, there is no guarantee that they will reach the market. After the significant rise in AstraZeneca's share price and bearing in mind that its dividend is not expected to grow, it was felt prudent to take profits on 20% of the Company's holding. The value of the remaining 80% of the original holding is still large and ended the year as the Company's tenth largest holding.

It was a busy year for initial public offerings (IPOs) and there were some good opportunities. The UK government sold a 70% stake in Royal Mail which appeared very good value given its dividend and free cash flow yield, scope for cost cutting and growth in its parcels business. An investment was made and the shares performed very well initially although later gave back some of their gains.

Strategic Report: Fund Manager's Report (continued)

In order to augment its core capital to satisfy regulatory requirements, the Nationwide Building Society issued some Core Capital Deferred Shares with a yield of 10.25%. Although these shares have limited voting rights, the yield was highly attractive and they have performed well.

An investment was also made in the IPO of Cembra Money Bank, which was sold by General Electric of the US, and is the leader in Switzerland in personal loans. Cembra has very strong capital ratios and offered an attractive dividend yield of 5.1%.

A less successful IPO investment was made in Card Factory, which fell by 8%, but is a rapidly growing value retailer in greetings cards. It benefits from cheap High Street rents and short leases. It is very price competitive partly because it manufactures the cards that it sells.

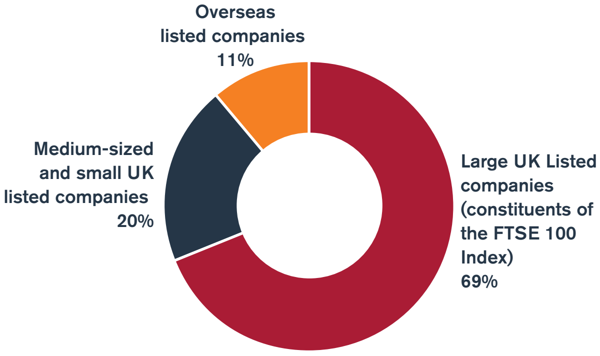
A new investment was made in the IPO of Foresight Solar, which is a closed-end investment company that owns solar power plants. Foresight benefits from the existing favourable regulatory regime for solar electricity and is expected to have a dividend yield of 6% from its issue price and to grow its dividend in line with inflation.

In the life assurance sector, a new holding was purchased in Old Mutual, which is London listed but has some 70% of its revenues from life assurance and banking in South Africa. It also has fund management and life assurance subsidiaries in the US, UK and Europe. The shares were bought on a substantial discount to the sum of its parts which included a 52% stake in one of South Africa's largest banks. The holding in Aviva, which had cut its dividend, was sold and replaced by additions to Legal & General and Standard Life.

Given the shortage of homes in the UK as well as low interest rates and rising employment, housebuilders were well placed. Additions were made to the existing holding in Persimmon, and a new holding was bought in Berkeley Group which has an exceptionally good track record and a large land bank. The holding in commercial contractor Balfour Beatty was sold after a series of profits warnings.

The Company has scope to invest up to 20% of the portfolio in overseas listed stocks which enables participation in some sectors not found in the UK market. Over the year, the percentage of the portfolio invested in overseas listed stocks increased from 8% to 11%. Three new holdings were bought overseas. First, Swire Pacific, the Hong Kong conglomerate was bought on a discount of some 35% to its asset value which is around 60% in Hong Kong property but also owns 44% of Cathay Pacific airline and has industrial and trading interests across the Pacific. Secondly, Siemens, the giant industrial conglomerate based in Germany was attractive partly as a way to participate in improving markets for industrial goods (including one-third of sales to emerging markets) and partly for its scope to improve the profit margins of many of its divisions to industry averages. The third new overseas listed holding purchased was Syngenta, the globally leading crop protection and seeds company. There is no real equivalent of this stock listed in London in what must be a secular growth area given the need to improve agricultural productivity.

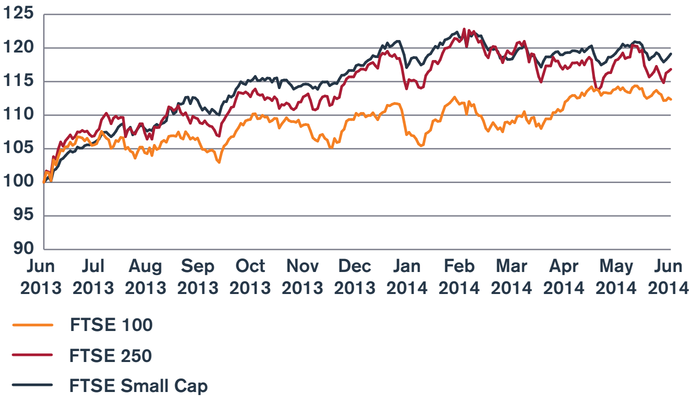
Distribution of the portfolio as at 30 June 2014



The portion of the portfolio invested in large UK listed companies declined over the year from 76% to 69%. Of this decline 3% are accounted for by the increase from 8% to 11% in overseas listed companies which are also large in terms of capitalisation.

The increase from 16% to 20% in the medium-sized and small UK listed company weighting partly reflects their outperformance but also the greater opportunities for new investment in this area over the year. The chart below compares the performance of the largest companies (FTSE 100) with medium sized companies (FTSE 250) and small companies (FTSE Small Cap). It shows the significant outperformance of medium and small companies over this twelve month period due to their greater exposure to the UK economy. In addition, the strength of sterling adversely affected large companies given their greater overseas exposure.

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



Source: Datastream

Outlook

City of London's largest holdings are all large companies and the portfolio is predominantly invested in this area of the market. Large companies, as measured by the FTSE 100 Index, appear to be much

Strategic Report: Fund Manager's Report (continued)

cheaper than medium-sized or small companies based on dividend yields or price earnings ratios. At 10 September 2014, based on the previous twelve months' dividends per share (DPS) and earnings per share (EPS), the FTSE 100 Index's dividend yield was 3.4% and price earnings ratio (PE) was 13.8x compared with 2.6% and 18.3x for the FTSE mid 250 Index and 2.4% and 23.5x for the FTSE Small Cap Index.

The potential for large companies to outperform and realise some of their latent potential is well illustrated over the last year by the takeover approach for AstraZeneca and Vodafone's disposal of its stake in Verizon Wireless. The largest companies also tend to be more global. Within the top ten holdings, British American Tobacco, HSBC, Diageo and Unilever all have significant exposure to emerging markets which continue to offer great potential given the likely long-term growth in prosperity of their emerging and sizeable middle classes.

In the short term, UK domestic companies should continue to benefit from economic growth fuelled by low interest rates and rising employment. However, there is a danger of the share prices of domestic cyclicals derating in anticipation of rising interest rates as the UK economic cycle matures. UK domestic sectors favoured in the portfolio for strong trading fundamentals include Real Estate Investment Trusts and Travel & Leisure companies.

The general election of May 2015 is already casting a shadow over some of the UK utility companies. However, future governments will have to work with the utility companies to provide the private capital needed for further investment in the UK's infrastructure. The Company maintains an exposure to the UK utility sector given the steady returns that are likely to be achieved over the medium term.

Overall, a balanced approach is appropriate. The largest exposure is towards large capitalisation multi-national companies but there are also significant investments in domestic shares.

Job Curtis
Fund Manager

Strategic Report: Portfolio Information (continued)

Sector Breakdown of Investments as at 30 June 2014

	Valuation £'000
OIL & GAS	
Oil & Gas Producers	
Royal Dutch Shell	67,637
BP	45,311
Statoil[2]	6,204
Eni[2]	4,797
	123,949
Oil Equipment, Services & Distribution	
Prosafe[2]	2,876
Cape	1,477
	4,353
Total Oil & Gas	**128,302**
BASIC MATERIALS	
Chemicals	
Croda International	11,005
Syngenta[2]	4,421
Johnson Matthey	3,100
Victrex	1,617
	20,143
Mining	
Rio Tinto	17,097
BHP Billiton	17,005
Anglo American	4,290
	38,392
Total Basic Materials	**58,535**
INDUSTRIALS	
Aerospace & Defence	
BAE Systems	11,472
Rolls-Royce	8,552
Meggitt	3,542
	23,566
Construction & Materials	
Marshalls	1,634
	1,634
Electronic & Electrical Equipment	
Halma	5,011
Renishaw	3,314
Emerson Electric[2]	3,103
	11,428
General Industrials	
Rexam	5,707
Siemens[2]	5,425
Swire Pacific[2]	5,031
Smiths	3,891
	20,054
Industrial Engineering	
IMI	12,361
Spirax-Sarco Engineering	6,579
Weir	5,238
Rotork	3,070
	27,248
Industrial Transportation	
BBA	5,176
Royal Mail	4,990
	10,166

	Valuation £'000
INDUSTRIALS (continued)	
Support Services	
Connect	6,470
Berendsen	4,895
Paypoint	3,436
De La Rue	3,240
Premier Farnell	3,055
Interserve	2,700
	23,796
Total Industrials	**117,892**
CONSUMER GOODS	
Beverages	
Diageo	35,920
Britvic	10,185
	46,105
Food Producers	
Unilever	28,610
Tate & Lyle	6,845
Nestlé[2]	6,796
Greencore	2,922
Dairy Crest	1,882
	47,055
Household Goods & Home Construction	
Reckitt Benckiser	13,587
Persimmon	5,728
Berkeley	4,836
	24,151
Tobacco	
British American Tobacco	52,170
Imperial Tobacco	13,150
	65,320
Total Consumer Goods	**182,631**
HEALTH CARE	
Pharmaceuticals & Biotechnology	
GlaxoSmithKline	46,920
AstraZeneca	21,702
Novartis[2]	7,939
Merck[2]	7,442
	84,003
Total Health Care	**84,003**
CONSUMER SERVICES	
Food & Drug Retailers	
Tesco	6,821
Sainsbury (J)	5,837
Greggs	2,948
WM Morrison Supermarkets	2,201
	17,807
General Retailers	
Marks & Spencer	9,320
Next	8,741
Kingfisher	4,667
Halfords	3,546
Card Factory	1,813
	28,087

Strategic Report: Portfolio Information (continued)

	Valuation £'000
CONSUMER SERVICES (continued)	
Media	
Reed Elsevier[1]	18,786
Pearson	13,848
British Sky Broadcasting	11,978
Daily Mail & General	5,408
Euromoney Institutional	2,220
	52,240
Travel & Leisure	
Whitbread	9,920
Greene King	9,278
Compass	7,119
William Hill	4,511
Go-Ahead	4,499
Cineworld	4,086
TUI Travel	3,980
Young	2,541
	45,934
Total Consumer Services	**144,068**
TELECOMMUNICATIONS	
Fixed Line Telecommunications	
Verizon Communications[2]	18,842
BT	14,049
Swisscom[2]	5,100
Manx Telecom	2,023
	40,014
Mobile Telecommunications	
Vodafone	27,761
Deutsche Telekom[2]	4,368
	32,129
Total Telecommunications	**72,143**
UTILITIES	
Electricity	
Scottish & Southern Energy (SSE)	21,155
	21,155
Gas, Water & Multiutilities	
National Grid	21,840
Centrica	16,568
United Utilities	11,025
Severn Trent	8,694
Duke Energy[2]	5,293
Pennon	3,729
	67,149
Total Utilities	**88,304**
FINANCIALS	
Banks and Building Societies	
HSBC	50,693
Barclays Bank	9,576
Nationwide Building Society	8,385
Cembra Money Bank[2]	2,212
	70,866

	Valuation £'000
FINANCIALS (continued)	
Equity Investment Instruments	
Greencoat UK Wind	3,519
John Laing Infrastructure Fund	3,498
GCP Student Living	3,210
Foresight Solar Fund	2,306
	12,533
Financial Services	
Provident Financial	11,991
Schroder	8,194
Brewin Dolphin	3,562
IG	3,525
ICAP	2,660
Tullett Prebon	2,533
	32,465
Life Insurance	
Prudential	17,433
Legal & General	16,905
Standard Life	10,101
Phoenix	9,416
Old Mutual	6,920
	60,775
Nonlife Insurance	
Amlin	11,000
Munich Re[2]	9,735
Hiscox	8,784
Zurich Insurance[2]	7,751
Direct Line Insurance	6,628
	43,898
Real Estate Investment Trusts	
Land Securities	17,094
British Land	14,683
Segro	6,904
Unibail-Rodamco[2]	4,252
	42,933
Total Financials	**263,470**
TECHNOLOGY	
Software & Computer Services	
Sage	4,679
Microsoft[2]	3,902
	8,581
Technology Hardware & Equipment	
Laird	3,548
	3,548
Total Technology	**12,129**
TOTAL INVESTMENTS	**1,151,477**

1 Part overseas listed
2 Overseas listed

Strategic Report: Key Information

Directors

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

Philip Remnant CBE
Position: Chairman of the Board and Nominations Committee
Date of Appointment: 1 January 2011 (Chairman on 24 October 2011)
Philip was a Senior Adviser at Credit Suisse until December 2013, having previously been a Vice Chairman of CSFB Europe and Head of the UK Investment Banking Department. He was the Chairman of the Shareholder Executive between 2007 and 2012, and was Director General of the Takeover Panel from 2001 to 2003 and again in 2010. He is the Senior Independent Director of Prudential plc and of UK Financial Investments Limited. He is also a non-executive Director of Severn Trent plc and a Deputy Chairman of the Takeover Panel.

Simon Barratt
Position: Director
Date of Appointment: 1 October 2010
Simon is General Counsel and Company Secretary at Whitbread PLC where he has been since 1991. During that time he has also acted as Company Secretary for the Whitbread Investment Company plc and a Director of Whitbread Pension Trustees. He was previously at Rio Tinto and Heron, having qualified as a solicitor with the law firm, Slaughter and May.

David Brief
Position: Director
Date of Appointment: 1 January 2009
David was previously Chief Investment Officer of BAE Systems Pension Funds Investment Management Limited. He is a non-executive Director of Asian Total Return Investment Company plc and the Rio Tinto Pension Scheme. He is a Trustee of St. Martins Housing Trust.

Richard Hextall
Position: Chairman of the Audit Committee and Senior Independent Director
Date of Appointment: 1 November 2007 (Chairman of the Audit Committee and Senior Independent Director on 1 April 2011)
Richard is a Chartered Accountant and has been the Group Finance Director of Amlin plc since 1999. He was a Director of the Lloyd's Market Association from 2007 to 2010 and a member of its finance committee from 2002 to 2009 (Chairman from 2005 to 2007). He was also a member of the Lloyd's Investment Committee from 2003 to 2007. He joined Amlin from Deloitte & Touche, where he was a Director specialising in the insurance and financial services sector.

Martin Morgan
Position: Director
Date of Appointment: 1 March 2012
Martin has been Chief Executive of Daily Mail and General Trust PLC since October 2008, having joined the Group in 1989. He was previously Chief Executive of dmg information. He is a non-executive Director of Euromoney Institutional Investor plc.

Management

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

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

All Directors are independent of Henderson.
All Directors are members of the Nominations Committee.
The Audit Committee consists of Richard Hextall, David Brief and Simon Barratt.

Strategic Report: Key Information (continued)

Service Providers

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

Corporate Secretary
Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818

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

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

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

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 707 1057

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

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

Website

www.cityinvestmenttrust.com

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 0845 609 0408, email **Henderson@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**. Henderson ISA holders can contact the Henderson ISA department at PO Box 10665, Chelmsford CM99 2BF, telephone 0800 856 5656.

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

Strategic Report: Corporate Information

Status

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

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

Principal Risks and Uncertainties

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

Portfolio and market price

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

Investment activity, gearing and performance

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

Tax and regulatory

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA ("UK Listing Authority") Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange.

Operational

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

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

Henderson has contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by Henderson on a quarterly basis, which confirm regulatory compliance.

Borrowing

The Company has a borrowing facility of £80m with HSBC Bank plc, of which £nil was drawn at the year end (2013: £24.6m). The Company also has three debentures totalling £46.0m (2013: £46.0m). In January 2014 the Company issued £35m of fixed rate 15 year private placement notes at an annualised coupon of 4.53%. The level of gearing at 30 June 2014 was 7.1% of net asset value (2013: 7.9%).

Future Developments

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

Key Performance Indicators

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

Performance against the Company's peer group

The Company is included in the AIC UK Equity Income sector. The Board considers the size weighted average net asset value total return of its AIC peer group at each Board meeting. During the year under review the Company underperformed the peer group by 1.0%.

Performance against the OEIC sector

During the year the Board began to consider the performance of the portfolio against the UK Equity Income OEIC sector and will continue to review. During the year under review the Company outperformed the sector by 0.4%.

Performance against market indices

The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and the FTSE All-Share Index. During the year under review the Company outperformed the index by 1.6%.

Strategic Report: Corporate Information (continued)

Premium/discount to net asset value ("NAV")
The Board's aim is for the Company's share price to reflect closely its underlying net asset value; and also to reduce volatility and have a liquid market in the shares. The ability to influence this is, of course, limited. It is believed that flexibility is important and that it is not in shareholders' interests to have a specific issuance and buy-back policy. The Board intends, however, subject always to the overall impact on the portfolio, the pricing of other trusts and overall market conditions, to consider issuance and buybacks within a narrow band relative to net asset value. At each Board meeting, the Board monitors the level of the Company's premium/discount to NAV per share and reviews the average premium/discount for the Company's AIC sector.

At 30 June 2014 the Company's shares were trading at a 0.9% premium to NAV (2013: 0.1% premium). The Company publishes NAV per share figures on a daily basis, through the official newswire of the London Stock Exchange.

Ongoing Charges
Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges or gains or losses arising on investments. The Board regularly reviews the ongoing charges and monitors all Company expenses. For the year ended 30 June 2014 the Ongoing Charges as a percentage of shareholders funds were 0.43% (2013: 0.44%).

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

Corporate Responsibility

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

The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is therefore considered as part of the investment risk decision; however, an investment may not necessarily be ruled out on social and environmental grounds only.

Voting policy and the UK stewardship code
Henderson's responsible investment policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Henderson implements the Stewardship Code. The Company has reviewed the policy and has delegated responsibility for voting to Henderson. The Board receives regular reports on the voting undertaken by Henderson on behalf of the Company. The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the Fund Manager will give specific instructions on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefore are fed back to the investee company prior to voting.

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

Employees, Social, Community, Human Rights and Environmental Matters
The Company has no employees and its core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues.

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

The Company's annual and half year reports are printed on carbon balanced paper, whereby the carbon impact of the production and distribution process has been balanced, or offset, by the World Land Trust, an international conservation charity.

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

For and on behalf of the Board

Philip Remnant CBE
Chairman
17 September 2014

Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

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

Association of Investment Companies ("AIC")

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

Benchmark

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

Custodian

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

Depositary

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

Derivative

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

Dividend dates

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

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This is calculated by taking the difference between quoted investments including written call options and equity shareholders' funds divided by equity shareholders' funds and multiplied by 100.

Investment trusts

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

Liquidity

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

Net Asset Value ("NAV") per ordinary share

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

The NAV is published daily.

Ongoing Charges

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

Glossary (continued)

Premium/Discount

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

Total Return Performance

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

Yield

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

Warning to shareholders

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

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

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

Corporate Report

Report of the Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 July 2013 to 30 June 2014. The City of London Investment Trust plc ("the Company") (registered in England & Wales on 26 September 1891 with company registration number 34871) was active throughout the year under review and was not dormant.

Directors' Remuneration and Shareholdings

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

Directors' Conflicts of Interest

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

Related Party Transactions

Other than the relationship between the Company and its Directors, the provision of services by Henderson is the only related party arrangement currently in place. Other than fees payable by the Company in the ordinary course of business and the provision of marketing services (see note 6 on page 44), there have been no material transactions with this related party affecting the financial position of the performance of the Company during the year under review.

Share capital

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

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

Ordinary shares of 25p nominal value each
The voting rights of the ordinary shares on a poll are one vote for every 15 shares held. At the beginning of the year, there were 257,984,868 ordinary shares in issue. During the year, 26,825,000 shares (representing 10.4% of the number of shares in issue at the beginning of the year) were issued for total proceeds (net of commissions) of £99,239,000. At 30 June 2014 the number of ordinary shares in issue (with voting rights) was 284,809,868.

Since 30 June 2014 and up to the date of this report a further 4,625,000 ordinary shares have been issued for a total consideration of £17.4 million. The number of shares in issue at the date of this report is 289,434,868.

Cumulative first preference stock
The voting rights of the first preference stock on a poll are one vote per £10 of stock held. At 1 July 2013 and at 30 June 2014 there was £301,982 of first preference stock in issue.

Non-cumulative second preference stock
Second preference stockholders have no rights to attend and vote at general meetings (except on the winding-up of the Company or if dividends are in arrears). At 1 July 2013 and at 30 June 2014 there was £507,202 of second preference stock in issue.

Non-cumulative preferred ordinary stock
The voting rights of the preferred ordinary stock on a poll are one vote per £20 of stock held. At 1 July 2013 and at 30 June 2014 there was £589,672 of preferred ordinary stock in issue.

Further details on the first and second preference stock and the preferred ordinary stock (together the "Preferred Stock") are contained in note 15 on page 48.

The Directors seek annual authority from the shareholders to allot new ordinary shares, to dis-apply the pre-emption rights of existing shareholders, and to buy back for cancellation or to be held in treasury the Company's ordinary shares. In addition, the Directors seek annual authority to buy back and cancel the Company's preferred and preference stocks. At the Annual General Meeting ("AGM") on 28 October 2013 the Directors were granted authority to repurchase 36,097,399 ordinary shares (with a nominal value of £9,024,350) for cancellation or to be held in treasury. The Directors have not bought back any shares and therefore at the date of this report the Directors have remaining authority to repurchase 36,097,399 shares. This authority will expire at the conclusion of the AGM in October 2014, when a new authority will be sought. The Directors believe that, from time to time and subject to market conditions, it will continue to be in the shareholders' interests to buy back the Company's shares when they are trading at a discount to the underlying net asset value per share. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders.

At the AGM in 2013 Directors were also granted authority to repurchase the first and second preference stock and the preferred ordinary stock. The Directors have not bought back any of the preference or preferred stock during the year.

Holdings in the Company's Shares

Declarations of interests in the voting rights of the Company as at 30 June 2014 in accordance with DTR5 were as follows:

Shareholder	% of voting rights
Investec Wealth and Investment Limited	3.62

Report of the Directors (continued)

No changes have been notified in the period 1 July 2014 to 17 September 2014.

At 30 June 2014, 11.4% of the issued ordinary shares were held on behalf of participants in the Halifax Share Dealing products and 2.3% were held on behalf of participants in Henderson products. The participants in these schemes are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company.

Global Greenhouse Gas Emissions

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

Directors' Statement as to Disclosure of Information to Auditors

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

Going Concern

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

Annual General Meeting ("AGM")

The AGM will be held on Monday 27 October 2014 at 2.30 pm at the Company's registered office. The Notice of Meeting and details of the resolutions to be put at the AGM are contained in the separate letter being sent to shareholders with this report.

Regulations implementing the Alternative Investment Fund Managers Directive ("AIFMD Regulations") came into force in the UK on 22 July 2013. The Board is proposing to make amendments to the Company's existing Articles of Association in response to the AIFMD Regulations coming into force.

The principal changes to be introduced in the proposed Articles of Association, and their effect, are as follows.

Net asset value

The proposed Articles of Association will provide that the net asset value of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFMD Regulations.

Valuation

The proposed Articles of Association provide that valuation of the Company's assets shall be performed in accordance with prevailing accounting standards. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFMD Regulations.

Liability for loss of financial assets held in custody

The AIFMD Regulations require that the Company has a Depositary. Under the AIFMD Regulations, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties.

The Board is cognisant that situations may arise where allowing the Depositary to discharge its strict liability will be commercially necessary. An amendment to the existing Articles of Association is therefore proposed with the effect of enabling the Board, should the need arise and subject to applicable laws, to allow a Depositary to discharge its strict liability for loss of certain of the Company's assets. This proposed amendment provides the Company with commercial flexibility, and the Board will exercise its discretion in the usual way in determining whether or not to provide such a discharge.

Copies of the proposed new Articles of Association of the Company, including a version showing by tracked changes the alterations from the existing Articles, will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company up to and including the date of the AGM.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
17 September 2014

Statement of Directors' Responsibilities

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

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

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

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

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

Statement under DTR 4.1.12

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

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

For and on behalf of the Board of Directors.

Philip Remnant CBE
Chairman
17 September 2014

The financial statements are published on **www.cityinvestmenttrust.com** which is a website maintained by Henderson.

The maintenance and integrity of the website is the responsibility of Henderson; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ("the Regulations"). The report also meets the relevant requirements of the Companies Act 2006 ("the Act") and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the Annual General Meeting on 27 October 2014. The Company's remuneration policy will be put to shareholders for approval by ordinary resolution for the first time this year under section 439A of the Act.

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

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

The Board as a whole considers the Directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

Remuneration Policy

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

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

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

Annual Statement

As Chairman, Philip Remnant reports that the Directors fees were increased with effect from 1 January 2014. The increases were made after consideration of the fees paid to other investment trusts in the peer group, other sectors and the Henderson managed investment trusts. These increases were to ensure that the Directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new directors. There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

Annual Report on Remuneration

Directors' interests in shares (audited)

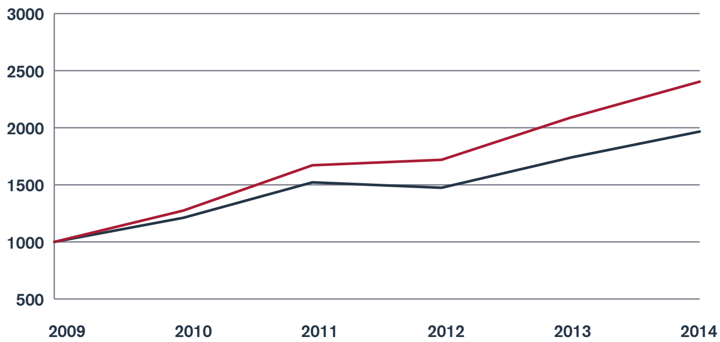
	Ordinary shares of 25p	
Beneficial:	**30 June 2014**	**1 July 2013**
Simon Barratt	9,627	9,627
David Brief	9,985	9,985
Richard Hextall	4,000	4,000
Martin Morgan	23,900	23,900
Philip Remnant	65,720	65,720

The interest of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the Directors' holdings in the period 1 July 2014 to the date of this report.

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

Performance

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



Source: Thomson Reuters Datastream.

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

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

Directors' Remuneration Report (continued)

Directors' fees and expenses (audited)

The fees and expenses paid to the Directors who served during the year ended 30 June 2014 and 30 June 2013 were as follows:

	Year ended 30 June 2014 Total salary and fees £	Year ended 30 June 2013 Total salary and fees £	Year ended 30 June 2014 Total expenses and taxable benefits £	Year ended 30 June 2013 Total expenses and taxable benefits £	Year ended 30 June 2014 Total £	Year ended 30 June 2013 Total £
Simon Barratt	25,500	25,000	–	–	25,500	25,000
David Brief	25,500	25,000	213	–	25,713	25,000
Richard Hextall[2]	29,500	29,000	–	–	29,500	29,000
Martin Morgan	25,500	25,000	–	–	25,500	25,000
Philip Remnant[1]	39,250	38,500	–	–	39,250	38,500
Total	**145,250**	**142,500**	**213**	**–**	**145,463**	**142,500**

Notes:
The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay and pension related payments were made.
[1] Chairman and highest paid Director.
[2] Chairman of the Audit Committee and Senior Independent Director.

Since 1 January 2014 the fees increased as follows (previous rates are shown in brackets): Chairman £40,000 (£38,500) per annum, Chairman of the Audit Committee £30,000 (£29,000) per annum and other Directors £26,000 (£25,000) per annum.

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

Relative importance of spend on pay

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

	2014 £	2013 £	Change £
Total remuneration	145,463	142,500	2,963
Ordinary dividend paid	39,611,754	34,833,362	4,778,392

Statement of voting at Annual General Meeting ("AGM")

At the 2013 AGM 4,866,005 (95.6%) votes were received voting for the resolution seeking approval of the Directors' Remuneration Report, 161,519 votes (3.2%) were against, 63,995 (1.2%) were discretionary and 64,804 were withheld. The percentage of votes excludes votes withheld. This will be the first year shareholders will be asked to vote on the Company's Remuneration Policy.

For and on behalf of the Board

Philip Remnant CBE
Chairman
17 September 2014

Corporate Governance Statement

Applicable corporate governance codes

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

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

Statement of compliance

The AIC Code comprises 21 principles. The Directors believe that during the year under review they have complied with the provisions of the AIC Code, insofar as they apply to the Company's business, and with the provisions of the Code except as noted below;

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

As the Company delegates to an external investment manager (which has its own internal audit function) its day-to-day operations and has no employees, the Board does not consider these provisions to be relevant to the Company and has not reported further in respect of these provisions.

Directors

Board composition

The Articles of Association provide that the total number of Directors shall not be less than three nor more than seven; the Board currently consists of five non-executive Directors. The biographies of the Directors holding office at the date of this report, which are set out on page 16, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors.

Directors' appointment and retirement

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

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

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

Board independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in July 2014, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. Richard Hextall is the Company's Senior Independent Director. There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

Directors' professional development

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

Directors' insurance and indemnification

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

The Board

Responsibilities of the Board and its Committees

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

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

Corporate Governance Statement (continued)

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

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

The Board has not formed a Management Engagement Committee as it remains the role of the Board as a whole to keep under review the terms of the management agreement between the Company and Henderson. The Board as a whole considers the Directors' remuneration, therefore a Remuneration Committee has not been established because all Directors are non-executive.

Audit Committee

The Audit Committee is chaired by Richard Hextall. The other members of the Committee are David Brief and Simon Barratt. The Report of the Audit Committee can be found on pages 31 and 32.

Nominations Committee

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

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

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

Performance Evaluation

The Directors recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees and individual Directors. During the year, the Directors undertook a review of the Board structure, including an evaluation of the performance of the Board, the Committees and of individual Directors. The appraisal of the Chairman was led by Richard Hextall.

The Company is obliged to engage an external facilitator for Board evaluation every three years. An external review was carried out by Lintstock Limited in 2013. The evaluation for the current year was undertaken internally. The evaluation concluded that the Board has a good balance of skills and experience.

Board attendance

The table below sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each Director. All Directors attended the AGM in October 2013.

	Board	Audit Committee	Nominations Committee
Number of meetings	**7**	**2**	**1**
Simon Barratt	6	2	1
David Brief	7	2	1
Richard Hextall	7	2	1
Martin Morgan	6	–	1
Philip Remnant	7	–	1

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process has been in place since 2000 and is subject to regular review by the Board. Up to the date of this report the process accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull Guidance").

The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 June 2014. During the course of its review of internal controls, the Board has not identified or been advised of any failings or weaknesses that have been determined as significant.

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

Corporate Governance Statement (continued)

Henderson a report on its internal controls which includes a report from Henderson's auditors on the control policies and procedures in operation. Steps will continue to be taken to embed the system of internal control and risk management into the operation and culture of the Company and its key suppliers.

As all of the Company's management functions are delegated to third parties and the Board monitors the controls in place through Henderson's internal audit function department, the Board feels there is no current need for an internal audit function.

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

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

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

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

Continued appointment of Henderson

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

The Board reviews investment performance at each Board meeting and a formal review of Henderson is conducted annually. As part of the annual review in July 2014 the Directors discussed the quality and continuity of the personnel assigned to handle the Company's affairs, with particular reference to performance and results achieved to date. In addition, they reviewed other services provided by Henderson to the Company, such as accounting, company secretarial and administration services, and Henderson's promotion of investment and savings products linked to the Company's shares. The Board noted Henderson's resources and experience in managing and administering investment trust companies. As a result of their annual review, it is the opinion of the Directors that the continued appointment of Henderson on the terms agreed is in the interests of the Company's shareholders as a whole.

Share capital

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

Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by periodic interim management statements and the daily calculation and publication of the NAV per share at the London and New Zealand Stock Exchanges and a monthly fact sheet which is available on the website.

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

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

New Zealand listing

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

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
17 September 2014

Report of the Audit Committee

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

Meetings

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

Role and Responsibilities

The role of the Committee is to assist the Board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the Auditors. The Audit Committee formally reports to the Board. The Committee's responsibilities are set out in formal terms of reference which are reviewed at least annually. Responsibilities include, but are not limited to:

- monitoring the integrity of the financial statements of the Company, including its annual and half year reports, and any formal announcements relating to its financial performance;
- reviewing the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements and related formal statements;
- ensuring that the information presented is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- reviewing the effectiveness of the Company's internal controls and risk management systems, approving the statements made in the Annual Report concerning internal controls and risk management and considering the requirement for an internal audit function;
- monitoring and reviewing the remit and effectiveness of Henderson's Internal Audit, Compliance and Business Risk functions in the context of its overall risk management system on an annual basis; and
- overseeing the relationship with the external Auditors including, but not limited to: approval of their remuneration, approval of their terms of engagement, assessing annually their independence and objectivity, including the provision of any non-audit services; satisfying itself that there are no inappropriate relationships on an annual basis (such as family, employment, investment, financial or business) between the Auditors and the Company (other than in the ordinary course of business).

Policy on Non-Audit Services

The Committee has formulated a policy on the provision of non-audit services by the Company's appointed Auditors and has determined that they will never be considered for the provision of services related to accounting and preparation of the financial statements, internal audit, custody, tax advice to Directors and tax calculations to support the financial statements. The Auditors may, if required, provide non-audit services related to a review of the Company's half year report, with all other non-audit services being judged on a case-by-case basis subject to approval by a member of the Committee.

Audit for the year ended 30 June 2014

In relation to the Annual Report for the year ended 30 June 2014 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third parties pricing vendors. Investments that are unlisted or not actively traded are reviewed by Henderson's Fair Value Pricing Committee and/or by the Directors. Ownership is verified by reconciliation to the Custodian's records.
Compliance with section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times.
Maintaining internal controls	The Committee receives regular reports on internal controls from Henderson and its service providers and has access to the relevant personnel of Henderson who have responsibility for risk management and internal audit.
Recognition of income	Income received, particularly special dividends, are accounted for in line with the Company's accounting policy (as set out on page 40). Special dividends, and their treatment as income or capital, have been reviewed by the Committee and agreed, taking into account the views of advisers as appropriate.

Report of the Audit Committee (continued)

The Committee is satisfied that the Annual Report for the year ended 30 June 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Audit Tendering

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

During the year the Company tendered its audit. The tender was conducted on an integrated basis with Henderson and upon consideration of the tenders received the Board decided to reappoint PricewaterhouseCoopers LLP.

External Audit, Review and Auditors Reappointment

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

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

Fees paid or payable to the Auditors are detailed in note 6 on page 44.

Richard Hextall
Audit Committee Chairman
17 September 2014

Independent auditors' report to the members of The City of London Investment Trust plc

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by The City of London Investment Trust plc, comprise:

- the Balance Sheet as at 30 June 2014;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole to be £10.7 million. This represents approximately 1% of net assets. We based our materiality on 1% of net assets because we believe this provides an appropriate and consistent year-on-year basis for our audit.

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

Overview of the scope of the audit

The Company is a standalone Investment Trust Company managed by an independent investment manager, Henderson Global Investors Limited (the "Manager").

The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Manager. The Manager has, with the consent of the Directors, delegated the provision of certain administrative functions to BNP Paribas Securities Services (the "Company Administrator").

In establishing the overall approach to our audit we assessed the risks of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Manager and Company Administrator, and we assessed the control environment in place at both organisations to the extent relevant to our audit of the Company.

Following this assessment, we applied professional judgement to determine the extent of testing required over each item in the financial statements to give us the evidence we needed for our opinion on the financial statements.

Independent Auditors' Report (continued)

Areas of particular audit focus

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 31.

Area of focus	How the scope of our audit addressed the area of focus
Valuation and existence of investments We focused on the investment portfolio valued at £1,151,477,000 which comprises listed investments because this represents the principal element of the financial statements.	We tested the valuation of this investment portfolio by agreeing the valuation of investments to independent third party sources. We tested the existence of this investment portfolio by agreeing the holdings to an independent custodian confirmation.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We tested journal entries to determine whether adjustments were supported by evidence and appropriately authorised. We also built an element of "unpredictability" into our detailed testing.

Going concern

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

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information in the Corporate Governance Statement set out on pages 28 to 30 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Corporate governance statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

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

Independent Auditors' Report (continued)

On page 25 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy. On page 31, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

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

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

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

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 September 2014

Income Statement

for the year ended 30 June

Notes		Year ended 30 June 2014 Revenue return £'000	Year ended 30 June 2014 Capital return £'000	Year ended 30 June 2014 Total £'000	Year ended 30 June 2013 Revenue return £'000	Year ended 30 June 2013 Capital return £'000	Year ended 30 June 2013 Total £'000
2	Gains on investments held at fair value through profit or loss	–	93,811	93,811	–	126,310	126,310
3	Income from investments held at fair value through profit or loss	44,972	–	44,972	40,572	–	40,572
4	Other interest receivable and similar income	605	–	605	503	–	503
	Gross revenue and capital gains	**45,577**	**93,811**	**139,388**	**41,075**	**126,310**	**167,385**
5	Management fees	(1,115)	(2,602)	(3,717)	(857)	(2,000)	(2,857)
6	Other administrative expenses	(601)	–	(601)	(629)	–	(629)
	Net return on ordinary activities before finance charges and taxation	**43,861**	**91,209**	**135,070**	**39,589**	**124,310**	**163,899**
7	Finance charges	(1,735)	(3,681)	(5,416)	(1,549)	(3,247)	(4,796)
	Net return on ordinary activities before taxation	**42,126**	**87,528**	**129,654**	**38,040**	**121,063**	**159,103**
8	Taxation on net return on ordinary activities	(428)	–	(428)	(331)	–	(331)
	Net return on ordinary activities after taxation	**41,698**	**87,528**	**129,226**	**37,709**	**121,063**	**158,772**
9	Return per ordinary share – basic and diluted	15.33p	32.19p	47.52p	15.27p	49.02p	64.29p

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

The notes on pages 40 to 55 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 June

Year ended 30 June 2014	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 July 2013	64,496	172,471	2,707	615,689	31,034	886,397
Net return on ordinary activities after taxation	–	–	–	87,528	41,698	129,226
Issue of 26,825,000 new ordinary shares (note 17)	6,706	92,533	–	–	–	99,239
Dividends paid (note 10)	–	–	–	–	(39,612)	(39,612)
At 30 June 2014	**71,202**	**265,004**	**2,707**	**703,217**	**33,120**	**1,075,250**
Year ended 30 June 2013	**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 2012	59,715	114,340	2,707	494,626	28,158	699,546
Net return on ordinary activities after taxation	–	–	–	121,063	37,709	158,772
Issue of 19,125,000 new ordinary shares (note 17)	4,781	58,131	–	–	–	62,912
Dividends paid (note 10)	–	–	–	–	(34,833)	(34,833)
At 30 June 2013	**64,496**	**172,471**	**2,707**	**615,689**	**31,034**	**886,397**

The notes on pages 40 to 55 form part of these financial statements.

Balance Sheet

at 30 June

Notes		2014 £'000	2013 £'000
11	Investments held at fair value through profit or loss		
	Listed at market value in the United Kingdom	1,026,603	875,502
	Listed at market value overseas	124,874	80,999
12	Investment in subsidiary undertakings	347	347
		1,151,824	**956,848**
	Current assets		
13	Debtors	7,073	8,260
	Cash at bank	2,929	179
		10,002	**8,439**
14	**Creditors:** amounts falling due within one year	(10,639)	(31,491)
	Net current liabilities	(637)	(23,052)
	Total assets less current liabilities	**1,151,187**	**933,796**
15	**Creditors:** amounts falling due after more than one year	(75,937)	(47,399)
	Net assets	**1,075,250**	**886,397**
	Capital and reserves		
17	Called up share capital	71,202	64,496
18	Share premium account	265,004	172,471
19	Capital redemption reserve	2,707	2,707
19	Other capital reserves	703,217	615,689
20	Revenue reserve	33,120	31,034
21	**Total shareholders' funds**	**1,075,250**	**886,397**
21	Net asset value per ordinary share – basic and diluted	377.53p	343.58p

The financial statements on pages 36 to 55 were approved by the Board of Directors on 17 September 2014 and signed on its behalf by:

Philip Remnant CBE
Chairman

The notes on pages 40 to 55 form part of these financial statements.

Cash Flow Statement

for the year ended 30 June

Notes		2014 £'000	2014 £'000	2013 £'000	2013 £'000
23	**Net cash inflow from operating activities**		**41,303**		**36,042**
	Servicing of finance				
	Debenture interest paid	(4,265)		(4,265)	
	Bank and loan interest paid	(289)		(383)	
	Dividends paid on preference and preferred ordinary stocks	(157)		(157)	
	Net cash outflow from servicing of finance		**(4,711)**		**(4,805)**
	Taxation				
	Withholding tax recovered	215		103	
	Net tax recovered		**215**		**103**
	Financial investment				
	Purchases of investments	(162,184)		(128,863)	
	Sales of investments	57,765		69,154	
	Net cash outflow from financial investment		**(104,419)**		**(59,709)**
	Equity dividends paid		(39,612)		(34,833)
	Net cash outlow before financing		(107,224)		(63,202)
	Financing				
	Proceeds from issue of ordinary shares	100,013		61,631	
	Issue of 4.53% secured notes	35,000		–	
	Issue costs paid in respect of the 4.53% secured notes	(449)		–	
	Net cash inflow from financing		**134,564**		**61,631**
25	**Increase/(decrease) in net debt**		**27,340**		**(1,571)**

The notes on pages 40 to 55 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

Basis of accounting

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

Going concern

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

Valuation of investments

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

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

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

Foreign currency

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

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

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

Income

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

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

Where the Company enters into a commitment to underwrite an issue of securities in exchange for the receipt of commission, this creates a derivative financial instrument. Any such derivatives are recognised initially at fair value and are subsequently re-measured at fair value, with the related gains and losses being reflected in the Income Statement. Net losses arising from these derivatives, where the actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital return. Net gains are allocated to the revenue return. Fees earned from stock lending are accounted for on an accruals basis and shown in the revenue return based on amounts to which the Company is entitled. This is after deduction of amounts withheld by the counterparty arranging the stock lending facility.

The accounting for option premium income is dealt with on page 42, under 'Derivative financial instruments'.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Management and administrative expenses and finance charges

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

Taxation

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

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

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

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

Borrowings

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

Preference stocks

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

Dividends payable to shareholders

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

Issue and repurchase of ordinary shares and associated costs

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Capital reserves

Capital reserve arising on investments sold
The following are accounted for in this reserve:

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

Capital reserve arising on revaluation of investments held
The following are accounted for in this reserve:

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

Derivative financial instruments

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

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

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

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

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

	2014 £'000	2013 £'000
Gains on the sale of investments based on historical cost	21,307	12,972
Revaluation gains recognised in previous years	(11,358)	(7,705)
Gains on investments sold in the year based on the carrying value at the previous balance sheet date	**9,949**	**5,267**
Revaluation of investments held at 30 June	83,816	121,218
Exchange gains/(losses)	46	(175)
Total gains from investments held at fair value through profit or loss	**93,811**	**126,310**

Notes to the Financial Statements (continued)

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

	2014 £'000	2013 £'000
Franked UK dividends:		
Listed	35,800	33,222
Listed – special dividends	1,293	1,720
	37,093	**34,942**
Unfranked – listed investments:		
Dividend income – overseas investments	6,036	4,547
Dividend income – UK REIT	1,285	949
Scrip dividends	125	68
Fixed interest income	433	66
	7,879	**5,630**
	44,972	**40,572**

4 Other interest receivable and similar income

	2014 £'000	2013 £'000
Bank interest	5	1
Underwriting commission (allocated to revenue)[1]	215	64
Stock lending revenue	254	87
Option premium income[2]	131	351
	605	**503**

1 During the year the Company was not required to take up shares in respect of its underwriting commitments (2013: none).

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

During the year, the Company sold (or wrote) call options for the purpose of generating revenue income. In accordance with the SORP, the premiums received are recognised in the revenue return shown in the Income Statement evenly over the life of the option with an appropriate amount taken to the capital account such that the total return reflects the change in fair value of the options. The Company received total premiums of £77,000 (2013: £405,000) from this activity during the year of which £77,000 was recognised as revenue in the year ended 30 June 2014 (2013: £351,000). The revenue not recognised in 2013 of £54,000 was recognised in 2014 giving a total income of £131,000 (2013: £351,000).

Call options outstanding at 30 June 2014 are recognised at their fair value and at 30 June 2014 the fair value of the written call options was a liability of £nil (2013: £43,000) representing the notional cost of repurchasing the call options at 30 June 2014 market prices. The premium recognised in respect of these outstanding options amounted to £nil (2013: £83,000) meaning that the total change in fair value recognised during the year ended 30 June 2014 in respect of these outstanding options amount to £nil (2013: £40,000).

At 30 June 2014 the total value of securities on loan by the Company for stock lending purposes was £13,947,000 (2013: £5,459,000). The maximum aggregate value of securities on loan at any one time during the year ended 30 June 2014 was £102,980,000 (2013: £72,129,000). The Company's agent holds collateral at 30 June 2014, with a value of £14,645,000 (2013: £5,732,000) in respect of securities on loan, the value of which is reviewed on a daily basis and comprises CREST Delivery By Value ("DBVs") and Government Bonds with a market value of 105% (2013: 105%) of the market value of any securities on loan.

5 Management fees

	2014			2013		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	1,115	2,602	3,717	857	2,000	2,857

From 1 July 2013 the Company simplified its fee arrangements by removing the performance fee and increasing the management fee rate. No performance fee was payable for the year ended 30 June 2013.

A summary of the terms of the Management Agreement is given on page 4. Details of apportionment between revenue and capital can be found in note 1 on page 40.

Notes to the Financial Statements (continued)

6 Other administrative expenses (including irrecoverable VAT)

	2014 £'000	2013 £'000
Directors' fees and expenses (see Directors' Remuneration Report on page 27)	145	143
Auditors' remuneration – for statutory audit services	28	28
Marketing	93	162
Bank charges (loan facility fees)	15	15
Annual and Half Year Reports	68	64
Registrar's fees	90	81
AIC	24	27
Listing fees	55	48
Advisory and consultancy fees	17	14
Other expenses	66	47
	601	**629**

7 Finance charges

	2014			2013		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Interest on debentures and secured notes repayable wholly or partly						
– between one and five years	207	483	690	207	483	690
– after five years	1,280	2,986	4,266	1,073	2,502	3,575
Amortisation of secured notes						
Issue costs	4	10	14	–	–	–
Bank overdraft interest	87	202	289	112	262	374
Dividends per share:						
– Cumulative First Preference Stock	18	–	18	18	–	18
– Non-cumulative Second Preference Stock	21	–	21	21	–	21
– Non-cumulative Preferred Ordinary Stock	118	–	118	118	–	118
	1,735	**3,681**	**5,416**	**1,549**	**3,247**	**4,796**

Details of apportionment between revenue return and capital return can be found in note 1 on page 40.

8 Taxation on net return on ordinary activities

Analysis of tax charge for the year

	2014			2013		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Overseas withholding tax	646	–	646	504	–	504
Less: overseas withholding tax recoverable	(218)	–	(218)	(173)	–	(173)
	428	**–**	**428**	**331**	**–**	**331**

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Company's profit for the accounting year is taxed at an effective rate of 22.5% (2013: 23.75%)

Notes to the Financial Statements (continued)

8 Taxation on net return on ordinary activities (continued)

Factors affecting the tax charge for the year

	2014			2013		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Return on ordinary activities before taxation	42,126	87,528	129,654	38,040	121,063	159,103
Corporation tax at 22.5% (2013: 23.75%)	9,478	19,694	29,172	9,035	28,752	37,787
Effects of:						
Non-taxable UK dividends	(8,346)	–	(8,346)	(8,299)	–	(8,299)
Non-taxable stock dividends and other income	(1,386)	–	(1,386)	(1,096)	–	(1,096)
Overseas tax suffered	428	–	428	331	–	331
Income taxable in different years	(1)	–	(1)	–	–	–
Excess management expenses	219	1,414	1,633	323	1,247	1,570
Preference and preferred ordinary dividends not allowable for tax	36	–	36	37	–	37
Other capital gains not subject to tax	–	(21,108)	(21,108)	–	(29,999)	(29,999)
	428	**–**	**428**	**331**	**–**	**331**

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

Deferred taxation

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

Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £18,818,000 (2013: £19,972,000) arising as a result of having unutilised management expenses and loan relationship deficits. These expenses will only be utilised, to any material extent, if changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

9 Return per ordinary share – basic and diluted

The return per ordinary share is based on the net return attributable to the ordinary shares of £129,226,000 (2013: £158,772,000) and on 271,915,690 ordinary shares (2013: 246,953,500), 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:

	2014 £'000	2013 £'000
Net revenue return	41,698	37,709
Net capital return	87,528	121,063
Net total return	**129,226**	**158,772**
Weighted average number of ordinary shares in issue during the year	**271,915,690**	**246,953,500**

	2014 Pence	2013 Pence
Revenue return per ordinary share	15.33	15.27
Capital return per ordinary share	32.19	49.02
Total return per ordinary share	**47.52**	**64.29**

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

Notes to the Financial Statements (continued)

10 Dividends paid on the ordinary shares

	Record date	Payment date	2014 £'000	2013 £'000
Fourth interim dividend (3.52p) for the year ended 30 June 2012	10 August 2012	31 August 2012	–	8,441
First interim dividend (3.52p) for the year ended 30 June 2013	26 October 2012	30 November 2012	–	8,586
Second interim dividend (3.52p) for the year ended 30 June 2013	25 January 2013	28 February 2013	–	8,735
Third interim dividend (3.63p) for the year ended 30 June 2013	3 May 2013	31 May 2013	–	9,209
Fourth interim dividend (3.63p) for the year ended 30 June 2013	2 August 2013	30 August 2013	9,423	–
First interim dividend (3.63p) for the year ended 30 June 2014	25 October 2013	29 November 2013	9,713	–
Second interim dividend (3.63p) for the year ended 30 June 2014	24 January 2014	28 February 2014	9,942	–
Third interim dividend (3.75p) for the year ended 30 June 2014	2 May 2014	30 May 2014	10,551	–
Unclaimed dividends over 12 years old			(17)	(138)
			39,612	**34,833**

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

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

	2014 £'000	2013 £'000
Revenue available for distribution by way of dividend for the year	41,698	37,709
First interim dividend of 3.63p (2013: 3.52p)	(9,713)	(8,586)
Second interim dividend of 3.63p (2013: 3.52p)	(9,942)	(8,735)
Third interim dividend of 3.75p (2013: 3.63p)	(10,551)	(9,209)
Fourth interim dividend of 3.75p paid on 29 August 2014[1] (2013: 3.63p)	(10,763)	(9,423)
Undistributed revenue for Section 1158 purposes[2]	**729**	**1,756**

1 Based on 287,009,868 ordinary shares in issue at 30 July 2014 (the ex-dividend date) (2013: 259,584,868).

2 The surplus of £729,000 (2013: surplus of £1,756,000) has been taken to the revenue reserve.

11 Investments held at fair value through profit or loss

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

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
2013:			
Valuation at 1 July 2012	347	766,208	766,555
Investment holding gains at 1 July 2012	–	(240,685)	(240,685)
Cost at 1 July 2012	**347**	**525,523**	**525,870**
Additions at cost	–	132,333	132,333
Disposals at cost	–	(55,596)	(55,596)
Cost at 30 June 2013	**347**	**602,260**	**602,607**
Investment holding gains at 30 June 2013	–	354,198	354,198
Valuation at 30 June 2013	**347**	**956,458**	**956,805**

Notes to the Financial Statements (continued)

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

The portfolio valuation at 30 June 2014 of £1,151,824,000 (2013: £956,805,000) is shown on the balance sheet as investments held at fair value through profit or loss of £1,151,824,000 (2013: £956,848,000) and as a creditor of £nil (2013: £43,000) for the derivative financial instrument.

Purchase transaction costs for the year ended 30 June 2014 were £644,000 (2013: £598,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 June 2014 were £48,000 (2013: £93,000).

12 Subsidiary undertakings

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

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

The City of London European Trust Limited was incorporated in 1899 as Patrick & McGregor Limited and is dormant, not having traded since 1968. The aggregate amount of the capital and reserves of The City of London European Trust Limited at 30 June 2014 was £347,000 (2013: £347,000). This Company has 10,000 issued ordinary shares of £1 each.

City of London Investments Limited is a dormant company and has not traded since its incorporation in 1982. The aggregate amount of the capital and reserves of City of London Investments Limited at 30 June 2014 was £2 (2013: £2). This Company has two issued ordinary shares of £1 each.

The City of London Finance Company Limited is a share dealing company and was dormant throughout the year. Its aggregate capital and reserves at 30 June 2014 were £2 (2013: £2). This Company has two issued ordinary shares of £1 each.

13 Debtors

	2014 £'000	2013 £'000
Withholding and income tax recoverable	302	299
Prepayments and accrued income	5,826	6,242
Share issue proceeds receivable	945	1,719
	7,073	**8,260**

14 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank overdraft	–	24,636
Derivative instruments – written options	–	43
Purchases for future settlement	951	4,116
Amounts owed to subsidiary undertakings	347	347
Accruals	3,235	2,270
Issue costs payable in respect of secured notes	27	–
Dividends payable on preference and preferred ordinary stocks	79	79
11½% debenture stock 2014 (for details of the repayment terms of the debenture see note 15)	6,000	–
	10,639	**31,491**

The Company had an uncommitted overdraft facility of £80,000,000 at 30 June 2014 (2013: £80,000,000) provided by its custodian and has provided a floating charge over its assets in return. Interest on the overdraft was payable at a rate of HSBC Base Rate +1.25% at 30 June 2014 (2013: +1.25%). Covenants relating inter alia to a maximum level of borrowings apply to the Company's borrowing facility. A breach of these covenants may result in any overdraft drawn down becoming repayable immediately.

Notes to the Financial Statements (continued)

15 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
11½% debenture stock 2014	–	6,000
10¼% debenture stock 2020	10,000	10,000
8½% debenture stock 2021	30,000	30,000
4.53% secured notes 2029	34,538	–
£301,982 (2013: £301,982) cumulative first preference stock	302	302
£507,202 (2013: £507,202) non-cumulative second preference stock	507	507
£589,672 (2013: £589,672) non-cumulative preferred ordinary stock	590	590
	75,937	**47,399**

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

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

- £6,000,000 11½% debenture stock 2014 redeemable at par on 31 December 2014.
- £10,000,000 10¼% debenture stock 2020 redeemable at par on 30 April 2020.
- £30,000,000 8½% debenture stock 2021 redeemable at par on 31 January 2021.
- £35,000,000 4.53% secured notes 2029 redeemable at par on 22 January 2029.

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

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

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

Notes:
(i) The dividend entitlements of the First Preference Stock and the Preferred Ordinary Stock reverted on 6 April 1999 to the rates which applied before 6 April 1973.
(ii) In the event of a winding-up, the Preferred Ordinary Stock would be repaid at £3.50 per £1 of stock. However, its share of equity shareholders' funds is included in the financial statements at par because no winding-up is envisaged.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures

As an investment trust the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on page 4. In pursuing its investment objective and policy, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These risks – market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk – and the Directors' approach to the management of them, are set out below. The Board and the Fund Manager co-ordinate the Company's risk management.

The objectives, policies and processes for managing the risks are set out below and have not changed from the previous accounting period.

16.1 Market risk

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

16.1.1 Market price risk

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

Management of the risk

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

When appropriate, the Company may buy/sell put or call options or futures on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. At 30 June 2014 the Company had no open positions (2013: £43,000).

Concentration of exposure to market price risk

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

Market price risk sensitivity

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

The impact of a 10% increase in the value of the investments on the revenue return as at 30 June 2014 is a decrease of £121,000 (2013: £100,000) and on the capital return is an increase of £114,866,000 (2013: £95,411,000). The total impact on equity shareholders' funds would be an increase of £114,745,000 (2013: 95,311,000).

The impact of a 10% decrease in the value of the investments on the revenue return as at 30 June 2014 is an increase of £121,000 (2013: £100,000) and on the capital return is a decrease of £114,866,000 (2013: £95,411,000). The total impact on equity shareholders' funds would be a decrease of £114,745,000 (2013: £95,311,000).

16.1.2 Currency risk

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

Management of the risk

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

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

Foreign currency exposure
The fair values of the Company's monetary items that have foreign currency exposure at 30 June 2014 are £350,000 (2013: £402,000).

Foreign currency sensitivity
The Company's sensitivity to movements in exchange rates affecting its investment income, assuming a 10% movement in the Sterling/US Dollar rate, will be a loss of £873,000 (2013: £709,000) if Sterling strengthens and a profit of £1,067,000 (2013: £867,000) if Sterling weakens. The 10% movement has been based on average market volatility in exchange rates in the previous 12 months.

16.1.3 Interest rate risk

Interest rate movements may affect:

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

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

Interest rate exposure
The Company's exposure at 30 June 2014 of financial assets and financial liabilities to fixed interest rate risk can be found in notes 14 and 15. The exposure to floating interest rates can be found on the balance sheet under cash at bank and under bank overdraft in note 14.

Interest receivable and finance costs are at the following rates:

- interest received on cash balances is at a margin of 1.25% above the HSBC base rate (2013: 1.25% above the HSBC base rate).
- interest paid on borrowings under the overdraft facility provided by the custodian is at a margin over HSBC's Base Rate.

The table below analyses the Company's contractual liabilities

	30 June 2014			30 June 2013		
	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
Debenture stocks[1]	9,920	14,300	44,880	4,265	20,645	48,845
Secured notes[2]	1,586	6,342	50,189	–	–	–
Preference stock and preferred ordinary stock[3]	157	628	1,399	157	628	1,399
Derivative instruments	–	–	–	43	–	–
Bank overdrafts and interest	–	–	–	24,636	–	–
Other creditors and accruals	4,639	–	–	6,812	–	–
	16,302	**21,270**	**96,468**	**35,913**	**21,273**	**50,244**

1 The above figures show interest payable over the remaining terms of the three debenture stocks. The figures in the "between 1 and 5 years" and "more than 5 years" columns also include the capital to be repaid. Details of repayment are set out on page 48 and dividend/interest payment dates on page 56.
2 The above figures show interest payable over the remaining term of the secured notes. The figures in the "more than 5 years" column also include the capital to be repaid. Details of repayment are set out on page 48 and interest payment dates on page 56.
3 The figures in the "more than 5 years" columns do not include the ongoing annual finance cost of £157,000.

Interest rate risk sensitivity
The Company is not materially exposed to changes in interest rates.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.2 Liquidity risk

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

Management of the risk

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

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

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 30 June 2014, based on the earliest date on which payment can be required, is given on page 50.

16.3 Credit and counterparty risk

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

Management of the risk

The risk is not significant and is managed as follows:

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

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

In summary, the exposure to credit and counterparty risk at 30 June 2014 was to cash at bank of £2,929,000 (2013: £179,000) and to other debtors of £7,054,000 (2013: £8,236,000).

16.4 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are either carried in the balance sheet at their fair value or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). At 30 June 2014 the aggregate fair value of the debenture stocks and secured notes was £90,188,000 (2013: £56,318,000) and the aggregate fair value of the preferred and preference stock was £2,622,000 (2013: £2,605,000). These valuations are obtained from brokers based on market prices. The debenture stock, preference stock and preferred ordinary stock are carried in the balance sheet at par.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.5 Fair value hierarchy disclosures

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

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

Financial assets at fair value through profit or loss at 30 June 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	956,501	–	347	956,848
Derivatives	(43)	–	–	(43)
Total	**956,458**	**–**	**347**	**956,805**

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

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

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

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

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

The valuation techniques used by the Company are explained in the accounting policies note on page 40.

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

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

16.6 Capital management policies and procedures

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

The Company's capital is its equity share capital and reserves that are shown in the balance sheet, bank overdraft (see note 14), preference shares and debentures (see notes 14 and 15) at a total of £1,157,187,000 (2013: £958,432,000).

The Company is subject to several externally imposed capital requirements:

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

The Company has complied with these requirements.

Notes to the Financial Statements (continued)

17 Called up share capital

	Shares in issue	Nominal value of total shares in issue £'000
Allotted and issued ordinary shares of 25p each		
At 1 July 2013	257,984,868	64,496
Issue of new ordinary shares	26,825,000	6,706
At 30 June 2014	**284,809,868**	**71,202**
Allotted and issued ordinary shares of 25p each		
At 1 July 2012	238,859,868	59,715
Issue of new ordinary shares	19,125,000	4,781
At 30 June 2013	**257,984,868**	**64,496**

During the year, the Company issued 26,825,000 (2013: 19,125,000) ordinary shares with total proceeds of £99,239,000 (2013: £62,912,000) after deduction of issue costs of £62,000 (2013: £62,000). The average price of the shares that were issued was 369.9p (2013: 329.0p).

18 Share premium account

	2014 £'000	2013 £'000
At beginning of year	172,471	114,340
Issue of shares	92,595	58,193
Less: issue costs	(62)	(62)
At end of year	**265,004**	**172,471**

19 Other capital reserves

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

	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Total £'000
At 1 July 2012	2,707	240,685	253,941	494,626
Transfer on disposal of investments	–	(7,705)	7,705	–
Net gains on investments	–	121,218	5,267	126,485
Exchange losses	–	–	(175)	(175)
Management fees charged to capital	–	–	(2,000)	(2,000)
Finance costs charged to capital	–	–	(3,247)	(3,247)
At 30 June 2013	**2,707**	**354,198**	**261,491**	**615,689**

Notes to the Financial Statements (continued)

20 Revenue reserve

	Total £'000
At 1 July 2013	31,034
Net return for the year	41,698
Dividends paid (note 10)	(39,612)
At 30 June 2014	**33,120**

	Total £'000
At 1 July 2012	28,158
Net revenue for the year	37,709
Dividends paid (note 10)	(34,833)
At 30 June 2013	**31,034**

21 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £1,075,250,000 (2013: £886,397,000) and on 284,809,868 (2013: 257,984,868) shares in issue on 30 June 2014.

An alternative net asset value per ordinary share can be calculated by deducting from the total assets less current liabilities of the Company the preference and preferred ordinary stocks and the debenture stocks at their market (or fair) values rather than at their par (or book) values. The net asset value per ordinary share at 30 June 2014 calculated on this basis was 373.71p (2013: 339.12p).

	Total £'000
The movements during the year of the assets attributable to the ordinary shares were as follows:	
Total net assets attributable to the ordinary shares at 1 July 2013	886,397
Total net return on ordinary activities after taxation	129,226
Dividends paid on ordinary shares in the year	(39,612)
Issue of shares	99,239
Total net assets attributable to the ordinary shares at 30 June 2014	**1,075,250**

The Company does not have any dilutive securities.

22 Capital commitment and contingent liabilities

Capital commitments

There were no capital commitments as at 30 June 2014 (2013: none).

Contingent liabilities

There were no contingent liabilities including in respect of sub-underwriting participations as at 30 June 2014 (2013: none).

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

	2014 £'000	2013 £'000
Net return on ordinary activities before finance charges and taxation	135,070	163,899
Less: capital return before finance charges and taxation	(91,209)	(124,310)
Net revenue return before finance charges and taxation	**43,861**	**39,589**
Decrease/(increase) in prepayments and accrued income	416	(1,220)
Increase in other creditors and accruals	274	177
Management fees taken to capital	(2,602)	(2,000)
Tax deducted at source	(646)	(504)
Net cash inflow from operating activities	**41,303**	**36,042**

Notes to the Financial Statements (continued)

24 Analysis of changes in net debt

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

	1 July 2012 £'000	Cash flow £'000	Non cash movement £'000	Exchange movements £'000	30 June 2013 £'000
Cash at bank	–	179	–	–	179
Bank overdraft	(22,711)	(1,750)	–	(175)	(24,636)
Total	**(22,711)**	**(1,571)**	**–**	**(175)**	**(24,457)**
Debts falling due after more than one year	(47,399)	–	–	–	(47,399)
Net debt	**(70,110)**	**(1,571)**	**–**	**(175)**	**(71,856)**

25 Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
Increase/(decrease) in cash as shown on cash flow statement	27,340	(1,571)
Net cashflow from issue of secured notes	(34,551)	–
Non cash movement	13	–
Exchange movements	46	(175)
Movement in net debt	**(7,152)**	**(1,746)**
Net debt at 1 July	(71,856)	(70,110)
Net debt at 30 June	**(79,008)**	**(71,856)**

26 Transactions with the Manager and Related Parties

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

Details of the fee arrangements for these services are given on page 4. The total of management fees paid or payable to Henderson under this agreement in respect of the year ended 30 June 2014 was £3,717,000 (2013: £2,857,000). The amount outstanding at 30 June 2014 was £969,000 (2013: £768,000).

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

In addition to the above services, Henderson has provided the Company with marketing services during the year. The total fees paid or payable for these services for the year ended 30 June 2014 amounted to £93,000 including VAT (2013: £162,000) of which £6,000 was outstanding at 30 June 2014 (2013: £41,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 27 and in note 6 on page 44.

A Brief History

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

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

In 1970 the Company appointed Touche, Remnant & Co. as Investment Manager and in 1982 the name was changed to TR City of London Trust PLC. In 1992 Touche, Remnant & Co. was acquired by Henderson Administration Group plc (now Henderson Global Investors (Holdings) plc). Henderson Global Investors (Holdings) plc was acquired by AMP in the spring of 1998. In December 2003 Henderson Group plc, the holding company of Henderson Global Investors (Holdings) plc, was demerged from AMP which was quoted on the London and Australian Stock Exchanges. Henderson Group plc is a constituent of the FTSE 250 Index. Since 31 October 2009 Henderson Group plc has been incorporated in Jersey. In December 2012 the Group changed its tax residency from the Republic of Ireland to the UK by means of a corporate restructuring.

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

Dates of Dividend and Interest Payments

Dividends

Ordinary shares:

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

Preference and preferred ordinary stocks:

- payable on 28 February and 31 August

Debenture interest

11½% debenture stock 2014:

- payable on 30 June and 31 December

10¼% debenture stock 2020:

- payable on 30 April and 31 October

8½% debenture stock 2021:

- payable on 31 January and 31 July

Secured notes

4.53% secured notes 2029:

- payable on 22 January and 22 July

General Shareholder Information

BACS

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

Disability Act

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

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

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

FCA restrictions

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

ISA

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

Share Price Listings

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

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

Performance Details/Share Price Information

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

Shareholder Details

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

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman.

Investors in Halifax Share Dealing and Henderson ISAs receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Keeping up to date with The City of London Investment Trust plc

Website

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

HGi

HGi is a content platform provided by Henderson that offers a new level of online personalisation where you can "follow" investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Henderson's investment expertise.

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The City of London Investment Trust plc
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The Association of Investment Companies

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