

THE CITY OF LONDON INVESTMENT TRUST PLC

REPORT
for the half year ended 31 December 2010
(unaudited)

THE CITY OF LONDON INVESTMENT TRUST PLC

Unaudited Results for the Half Year Ended 31 December 2010

Total Returns	Six Months to 31 December 2010
Net asset value per ordinary share (“NAV”)*	20.7%
Average UK Growth & Income Investment Trust NAV * †	20.9%
Relative NAV performance	(0.2%)
Ordinary share price *	24.3%
FTSE All-Share 4% Capped Index #	22.1%
FTSE All-Share Index #	22.0%

Sources: * AIC Information Services Limited

Datastream

† Size weighted average

INTERIM MANAGEMENT REPORT

Performance

Net Asset Value Total Return

It is a pleasure to report on a period when shareholders have experienced good returns. During the six months to 31 December 2010, equities performed well against a background of a continuation of a stimulative monetary policy with ultra low interest rates in the USA, Europe and UK. The recovery of global economic growth was strongest in the Pacific and Emerging Markets and benefited UK listed companies exposed to those areas.

City of London produced a net asset value total return of 20.7% which was 0.2% behind the size weighted average for the UK Growth & Income investment trust sector. The UK equity market, as measured by the FTSE All-Share 4% Capped Index, produced a return of 22.1%, which was ahead of City of London by 1.4%. The outperformance of the low yielding mining sector was the main reason for the Index doing better than City of London during this six month period.

Within City of London’s portfolio, the most positive contributors to performance were exporting companies in the industrial engineering sector, such as Weir, and in the chemicals sector, such as Croda. In addition, the large holding in Royal Dutch Shell had a good six months helped by the rise in the oil price. Other notable positive contributors were the Trust’s gearing and the below average exposure to the underperforming banking sector.

Earnings and Dividends

Earnings per share, for this period, increased by 1.6% over the same period last year. With the notable exception of BP, there has been an improvement in dividends from companies in our portfolio. The average increase in the dividend rate of companies in City of London’s portfolio, excluding BP, was 6.3%. The Board has forecast a minimum dividend for the financial year of 13.00p, an increase of 2.7% over last year. With the backing of substantial revenue reserves, the Board is confident that it is well placed to continue the Trust’s forty-four year record of annual dividend increases.

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Unaudited Results for the Half Year Ended 31 December 2010

Interim Management Report (continued)

Material Events and Transactions during the period

The Trust's gearing increased from 9.2% to 10.2% to take advantage of opportunities for income and capital growth financed by the Trust's borrowing facility with HSBC. A total of 8,965,000 new shares were issued at a premium to net asset value, benefiting the income and capital objective of the Trust.

The portfolio's exposure to the life assurance sector was increased with a new holding in Prudential, which has significant exposure to Far Eastern markets as well as its long standing interests in the UK and USA.

Other new holdings included J. Sainsbury in food retailing and the contract caterer Compass. Profits were taken in some cyclical stocks which had performed well including Tomkins which was taken over.

Expenses

Although City of London has outperformed the AIC Growth & Income size weighted average over the 30 months to 31 December 2010 by 0.7%, this is not enough for the Manager to earn a performance fee. The Total Expense Ratio ("TER") which is the investment management fee and other non-interest expenses as a percentage of shareholders' funds, remains low compared with most other equity savings products. The TER for the six months is equivalent to a full year rate of approximately 0.45% of net assets.

The Board

Philip Remnant joined the Board on 1 January 2011. Philip brings valuable experience through his career in corporate finance, and as Director General of the Takeover Panel, Chairman of the Shareholder Executive and a Director of UK Financial Investments. It is the Board's intention that Philip will succeed me as Chairman following my retirement at the Annual General Meeting in October 2011.

Outlook for the six months to 30 June 2011

Global growth over the last twelve months has been strong and this is forecast to continue for 2011. Prospects for the UK are uncertain but our portfolio is predominantly invested in companies with overseas earnings and many of the large companies in which we are invested are strongly placed to improve their profits. Their valuation and dividend yields are attractive if, as we believe, the recovery in profits and dividends continues on a global basis.

S M de Zoete
Chairman

THE CITY OF LONDON INVESTMENT TRUST PLC

Unaudited Results for the Half Year Ended 31 December 2010

Income Statement

for the half year ended 31 December 2010

	(Unaudited) Half year ended 31 December 2010			(Unaudited) Half year ended 31 December 2009			(Audited) Year ended 30 June 2010		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Gains on investments held at fair value through profit or loss	-	95,017	95,017	-	118,528	118,528	-	87,484	87,484
Income from investments held at fair value through profit or loss	11,047	-	11,047	10,478	-	10,478	25,809	-	25,809
Other interest receivable and similar income	980	-	980	1,072	-	1,072	1,833	-	1,833
Gross revenue and capital gains	12,027	95,017	107,044	11,550	118,528	130,078	27,642	87,484	115,126
Management fees	(316)	(737)	(1,053)	(278)	(649)	(927)	(561)	(1,310)	(1,871)
Performance fee	-	-	-	-	(816)	(816)	-	(75)	(75)
Other administrative expenses	(312)	-	(312)	(308)	-	(308)	(612)	-	(612)
Net return on ordinary activities before finance charges and taxation	11,399	94,280	105,679	10,964	117,063	128,027	26,469	86,099	112,568
Finance charges	(750)	(1,564)	(2,314)	(721)	(1,499)	(2,220)	(1,440)	(2,993)	(4,433)
Net return on ordinary activities before taxation	10,649	92,716	103,365	10,243	115,564	125,807	25,029	83,106	108,135
Taxation on net return on ordinary activities	(18)	-	(18)	(30)	-	(30)	(148)	-	(148)
Net return on ordinary activities after taxation	10,631	92,716	103,347	10,213	115,564	125,777	24,881	83,106	107,987
Return per ordinary share - basic (note 2)	4.98p	43.46p	48.44p	4.90p	55.39p	60.29p	11.93p	39.83p	51.76p

The total columns of this statement represent the Income Statement of the Company. All revenue and capital items derive from continuing operations. No operations were acquired or discontinued during the year. The Company has no recognised gains or losses other than those recognised in the Income Statement and the Reconciliation of Movements in Shareholders' Funds.

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Unaudited Results for the Half Year ended 31 December 2010

Reconciliation of Movements in Shareholders' Funds

for the half years ended 31 December 2010 and 2009 and year ended 30 June 2010

Half year ended 31 December 2010 (unaudited)	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 June 2010	52,155	37,079	2,707	392,406	26,679	511,026
Net return on ordinary activities after taxation	-	-	-	92,716	10,631	103,347
Issue of 8,965,000 new ordinary shares	2,241	22,080	-	-	-	24,321
Fourth interim dividend (3.25p per share) for year ended 30 June 2010 paid 31 August 2010	-	-	-	-	(6,831)	(6,831)
First interim dividend (3.25p per share) for year ended 30 June 2011 paid 30 November 2010	-	-	-	-	(6,974)	(6,974)
At 31 December 2010	54,396	59,159	2,707	485,122	23,505	624,889
Half year ended 31 December 2009 (unaudited)	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 June 2009	52,130	36,893	2,707	309,300	27,852	428,882
Net return on ordinary activities after taxation	-	-	-	115,564	10,213	125,777
Issue of 100,000 ordinary shares	25	186	-	-	-	211
Fourth interim dividend (3.08p per share) for year ended 30 June 2009 paid 28 August 2009	-	-	-	-	(6,422)	(6,422)
First interim dividend (3.08p per share) for year ended 30 June 2010 paid 30 November 2009	-	-	-	-	(6,426)	(6,426)
At 31 December 2009	52,155	37,079	2,707	424,864	25,217	542,022
Year ended 30 June 2010 (Audited)	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 June 2009	52,130	36,893	2,707	309,300	27,852	428,882
Net return on ordinary activities after taxation	-	-	-	83,106	24,881	107,987
Issue of 100,000 new ordinary shares	25	186	-	-	-	211
Fourth interim dividend (3.08p per share) for year ended 30 June 2009 paid 28 August 2009	-	-	-	-	(6,422)	(6,422)
First and second interim dividends (3.08p each per share) for year ended 30 June 2010 paid 30 November 2009 and 26 February 2010	-	-	-	-	(12,852)	(12,852)
Third interim dividend (3.25p per share) for year ended 30 June 2010 paid 28 May 2010	-	-	-	-	(6,780)	(6,780)
At 30 June 2010	52,155	37,079	2,707	392,406	26,679	511,026

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Unaudited Results for the Half Year ended 31 December 2010

Balance Sheet

at 31 December 2010

	(Unaudited) 31 December 2010 £'000	(Unaudited) 31 December 2009 £'000	(Audited) 30 June 2010 £'000
Investments held at fair value through profit or loss			
Listed at market value in the United Kingdom	649,993	561,243	535,443
Listed at market value overseas	38,969	25,787	23,024
Investment in subsidiary undertakings	347	378	347
	-----	-----	-----
	689,309	587,408	558,814
	-----	-----	-----
Current assets			
Debtors	3,095	2,891	4,577
Bank balances and short term deposits	843	2,520	1,475
	-----	-----	-----
	3,938	5,411	6,052
	-----	-----	-----
Creditors: amounts falling due within one year	(20,959)	(3,398)	(6,441)
	-----	-----	-----
Net current (liabilities)/assets	(17,021)	2,013	(389)
	-----	-----	-----
Total assets less current liabilities	672,288	589,421	558,425
	-----	-----	-----
Creditors: amounts falling due after more than one year	(47,399)	(47,399)	(47,399)
	-----	-----	-----
Total net assets	624,889	542,022	511,026
	=====	=====	=====
Capital and reserves			
Called-up share capital (note 3)	54,396	52,155	52,155
Share premium account	59,159	37,079	37,079
Capital redemption reserve	2,707	2,707	2,707
Other capital reserves	485,122	424,864	392,406
Revenue reserve	23,505	25,217	26,679
	-----	-----	-----
Shareholders' funds	624,889	542,022	511,026
	=====	=====	=====
Net asset value per ordinary share (note 4)	287.19p	259.81p	244.96p
	=====	=====	=====

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Unaudited Results for the Half Year ended 31 December 2010

Cash Flow Statement

for the half year ended 31 December 2010

	(Unaudited) Half year ended 31 December 2010 £'000	(Unaudited) Half year ended 31 December 2009 £'000	(Audited) Year ended 30 June 2010 £'000
Net cash inflow from operating activities	12,145	12,819	25,465
Net cash outflow from servicing of finance	(2,314)	(2,220)	(4,433)
Total tax recovered	20	136	331
Net cash (outflow)/inflow from financial investment	(36,155)	5,693	4,132
Equity dividends paid	(13,805)	(12,848)	(26,054)
Net cash inflow/(outflow) from financing	24,321	(1,789)	(1,789)
	-----	-----	-----
(Decrease)/increase in cash	(15,788)	1,791	(2,348)
	=====	=====	=====
Reconciliation of operating revenue to net cash inflow from operating activities			
Total return before finance costs and taxation	105,679	128,027	112,568
Less: capital return before finance costs and taxation	(94,280)	(117,063)	(86,099)
	-----	-----	-----
Net revenue return before finance costs and taxation	11,399	10,964	26,469
Decrease/(increase) in accrued income	1,488	1,595	(86)
Decrease in other debtors	-	714	714
Increase in other creditors	34	1,091	104
Expenses charged to other capital reserves	(737)	(1,465)	(1,385)
Overseas withholding tax	(39)	(80)	(351)
	-----	-----	-----
Net cash inflow from operating activities	12,145	12,819	25,465
	=====	=====	=====
Reconciliation of net cash inflow to movement in net debt			
(Decrease)/increase in cash as above	(15,788)	1,791	(2,348)
Cash outflow from movement in loans	-	2,000	2,000
Exchange movements	17	(21)	(51)
Net debt at beginning of the period	(49,048)	(48,649)	(48,649)
	-----	-----	-----
Net debt at end of the period	(64,819)	(44,879)	(49,048)
	=====	=====	=====
Represented by:			
Cash at bank and short term deposits less bank overdrafts	(17,420)	2,520	(1,649)
Debt falling due after more than one year	(47,399)	(47,399)	(47,399)
	-----	-----	-----
	(64,819)	(44,879)	(49,048)
	=====	=====	=====

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Unaudited Results for the Half Year ended 31 December 2010

Notes

1. Accounting policy – Basis of preparation

The condensed set of financial statements has been prepared using the same accounting policies as are set out in the Company's Annual Report and Financial Statements for the year ended 30 June 2010.

The condensed set of financial statements has not been audited or reviewed by the Company's auditors.

2. Return per ordinary share

	(Unaudited) Half year ended 31 December 2010 £'000	(Unaudited) Half year ended 31 December 2009 £'000	(Audited) Year ended 30 June 2010 £'000
The return per ordinary share is based on the following figures:			
Revenue return	10,631	10,213	24,881
Capital return	92,716	115,564	83,106
Total	103,347	125,777	107,987
Weighted average number of ordinary shares in issue for each period			
	213,359,596	208,607,911	208,613,841
Revenue return per ordinary share	4.98p	4.90p	11.93p
Capital return per ordinary share	43.46p	55.39p	39.83p
Total	48.44p	60.29p	51.76p

The Company does not have any dilutive securities.

3. Called-up share capital

During the half year ended 31 December 2010, 8,965,000 ordinary shares were issued for total proceeds of £24,321,000 (half year ended 31 December 2009: 100,000 ordinary shares issued for total proceeds of £211,000; year ended 30 June 2010: 100,000 ordinary shares issued for total proceeds of £211,000). The number of ordinary shares in issue at 31 December 2010 was 217,584,868.

4. 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 £624,889,000 (31 December 2009: £542,022,000; 30 June 2010: £511,026,000) and on 217,584,868 ordinary shares (31 December 2009: 208,619,868; 30 June 2010: 208,619,868) being the number of ordinary shares in issue at the end of the period.

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Unaudited Results for the Half Year ended 31 December 2010

Notes (continued)

5. Transaction costs

Purchase transaction costs for the half year ended 31 December 2010 were £304,000 (half year ended 31 December 2009: £220,000; year ended 30 June 2010: £421,000). These comprise mainly stamp duty and commissions. Sale transaction costs for the half year ended 31 December 2010 were £33,000 (half year ended 31 December 2009: £62,000; year ended 30 June 2010: £118,000).

6. Interim dividends

A first interim dividend of 3.25p was paid on 30 November 2010. The second interim dividend of 3.25p (declared on 2 December 2010) will be paid on 28 February 2011 to shareholders on the register on 21 January 2011.

7. Related party transactions

The only related party arrangement currently in place is with Henderson Global Investors Limited for the provision of investment management, accounting, company secretarial and administration services. Other than fees payable in the ordinary course of business, there have been no material transactions with the related party affecting the financial position or performance of the Company during the six months.

8. Going concern

The directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

9. Financial information

The financial information contained in this half year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The figures and financial information for the year ended 30 June 2010 have been extracted from the latest published audited financial statements of the Company. Those financial statements have been delivered to the Registrar of Companies and included the report of the auditors, which was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

10. Half year report

A copy of the Company's report for the half year ended 31 December 2010 will be posted to shareholders in early March 2011 and will be available on our website (www.cityinvestmenttrust.com) from 28 February 2011. Copies can also be requested thereafter from the Secretary at the Registered Office, 201 Bishopsgate, London EC2M 3AE.

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Unaudited Results for the Half Year ended 31 December 2010

Largest Investments

The 60 largest investments, convertibles and all classes of equity in any one company being treated as one investment, were as follows:

	Market value 31 December 2010 £'000		Market value 31 December 2010 £'000
Royal Dutch Shell	44,415	United Utilities	5,624
British American Tobacco	41,880	Pennon Group	5,440
GlaxoSmithKline	32,240	Deutsche Telekom	5,358
Diageo	31,403	Hiscox	5,340
Vodafone	31,116	Spirax-Sarco Engineering	5,319
HSBC	27,183	RSA Insurance	4,820
BHP Billiton	21,468	Zurich	4,783
AstraZeneca	20,454	Greene King	4,602
National Grid	19,355	Standard Chartered	4,368
Scottish & Southern Energy	16,844	Legal & General	4,354
Unilever	16,686	Swisscom	4,226
Tesco	16,363	Statoil	4,120
BP	16,294	Meggitt	4,070
Rio Tinto	13,220	Schroders	4,010
Croda	10,908	Prudential	4,008
Pearson	10,836	Barclays	3,925
Land Securities	10,784	BBA Aviation	3,878
Centrica	10,280	Novartis	3,766
Britvic	9,939	Sainsbury (J)	3,763
Weir	9,345	Smiths Group	3,735
Aviva	9,039	John Laing Infrastructure Fund	3,728
IMI	8,978	British Sky Broadcasting	3,680
Reckitt Benckiser	8,813	Halfords	3,656
Reed Elsevier	8,123	Morrisons	3,613
Imperial Tobacco	7,872	Provident Financial	3,496
Amlin	7,769	ENI	3,487
BAE Systems	6,930	Admiral	3,409
France Telecom	6,011	Cineworld	3,255
Smiths News	5,913	Premier Farnell	3,156
Severn Trent	5,912	Whitbread	3,133

These investments total £610,495,000 or 88.6% of the portfolio.

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Sector Analysis of Portfolio as at 31 December 2010

	%
Oil & Gas	10.4
Basic Materials	7.3
Industrials	10.7
Consumer Goods	17.6
Health Care	8.2
Consumer Services	11.9
Telecommunications	7.3
Utilities	9.6
Financials	16.4
Technology	0.6
Total	----- 100.0 =====

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

- a) the condensed set of financial statements has been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports";
- b) this report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) this report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

S M de Zoete, Chairman