

Company Number: 34871

**THE CITY OF LONDON INVESTMENT TRUST  
PLC**

**REPORT  
for the half year ended 31 December 2014  
(unaudited)**

**THE CITY OF LONDON INVESTMENT TRUST PLC**  
**Unaudited Results for the Half Year Ended 31 December 2014**

**Performance Highlights**

<b>Dividend yields</b>	<b>As at 31 December 2014</b>	<b>As at 30 June 2014</b>
The City of London Investment Trust plc	4.0%	3.9%
AIC UK Equity Income Sector (Benchmark)	3.6%	3.5%
FTSE All-Share Index	3.4%	3.3%
UK Equity Income OEIC Sector	4.5%	4.4%

	<b>As at 31 December 2014</b>	<b>As at 30 June 2014</b>
Net asset value per ordinary share	378.5p	377.5p
Premium	0.2%	0.9%
Net asset value per ordinary share (debt at market value)	374.5p	373.7p
Premium (debt at market value)	1.3%	1.9%
Share price	379.4p	380.8p
Gearing (at par value)	8.1%	7.1%

<b>Total return performance</b> (including dividends reinvested and excluding transaction costs)	<b>6 months</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>
	%	%	%	%	%
Net asset value per ordinary share <sup>1</sup>	2.1	5.1	54.0	85.3	140.1
AIC UK Equity Income sector average – net asset value <sup>2</sup>	1.2	3.8	55.7	84.9	132.8
Ordinary share price	1.6	4.4	51.2	92.6	167.5
FTSE All-Share Index	-0.4	1.2	37.3	51.8	107.6
UK Equity Income OEIC sector average <sup>3</sup>	1.6	3.2	47.5	64.2	100.3

Sources: Morningstar for the AIC, Henderson, Datastream

1. Using cum income fair value NAV for 6 months, one, three and five years and capital NAV plus income reinvested for 10 years.

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

3. The IMA peer group average is based on mid-day NAV whereas the returns of the investment trust are calculated using close of business NAV.

## **INTERIM MANAGEMENT REPORT**

### **Chairman's Statement**

#### **Net Asset Value Total Return**

City of London's net asset value total return was 2.1% which was ahead of the averages for the UK Equity Income Investment Trust sector (1.2%) and OEIC sector (1.6%) and also ahead of the FTSE All Share Index (-0.4%). The key contributors to performance were the below average exposure to the oil and mining sectors which were adversely affected by the weakness of oil and other commodity prices. Among the biggest stock contributors held in the portfolio were Phoenix (in the life assurance sector), Croda (in chemicals) and Land Securities (in Real Estate Investment Trusts).

During the second half of 2014, the UK equity market produced a negative total return of 0.4%, as measured by the FTSE All-Share Index, similar to the sideways move of the first half of the year. The news from the domestic economy was good with growth back to trend and inflation falling to below 1% helped by a 47% fall in the oil price. Overseas, growth in the US was robust but Europe disappointed and Emerging Markets remained mixed. The lacklustre returns from UK equities in 2014 should be considered in the context of the previous two years when returns were more than 25% and share prices had risen further than earnings per share.

#### **Earnings and Dividends**

City of London's earnings per share increased by 13.6%, partly reflecting the underlying dividend growth from investments but also the rise in the US dollar compared with sterling of 9.7% over the six months, enhancing the sterling value of dividend payments from those UK companies that declare their dividends in US dollars. In addition, special dividends rose from £90,000 to £459,000 compared with the same period last year. So far this financial year, City of London has declared two interim dividends of 3.75p each. The quarterly rate will be reviewed by the Board before the third interim is declared in April 2015.

#### **Expenses**

The ongoing charges ratio ("OCR") which represents the investment management fee and other non-interest bearing expenses as a percentage of shareholders' funds, remains low compared with most other equity products. The OCR for the six months indicates a full year rate of 0.42% of net assets.

#### **Material Events and Transactions during the period**

A total of 16,075,000 new shares were issued in the six months to 31 December 2014 at a premium to net asset value. A further 1,650,000 shares have been issued since the period end.

The proceeds have been invested in existing holdings as well as three new holdings. In the house building sector, a new investment was made in Taylor Wimpey which has a land bank for new homes of over five years. In retailing, a new holding was purchased in N. Brown, the online, catalogue and stores clothing retailer, but Tesco was sold given the competitive conditions in the supermarket area. A new holding was also bought in Capita which has steady growth prospects in business process outsourcing. Exposure to the oil sector was reduced through sales of the holdings in ENI and Statoil. Pennon, the water utility and waste management company, was also sold.

Gearing started the period at 7.1%, was increased in October during the market correction to 9.4% and ended the period at 8.1%.

#### **Outlook for the six months to 30 June 2015**

The outlook for the UK economy remains positive with a combination of steady growth and low inflation. In particular, the low oil price should continue to help household disposable income as well as putting downward pressure on inflation. Overseas consumers of oil will also benefit from its lower price and the belated action by the European Central Bank to start purchasing sovereign debt may improve growth on the Continent.

There is heightened uncertainty in the UK political climate leading up to the election. City of London's portfolio is, however, well diversified with the profits from its UK listed companies predominantly coming from overseas markets as well as having 10.1% invested in overseas listed companies. The dividend yield on the portfolio remains attractive relative to the alternatives in fixed interest and bank deposits.

Philip Remnant CBE  
Chairman  
18 February 2015

### **Principal Risks and Uncertainties**

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- Portfolio and market price
- Investment activity, gearing and performance
- Tax and regulatory
- Operational

Information on these risks and how they are managed are given in the 2014 Annual Report. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

### **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) the interim management 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) the interim management 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).

For and on behalf of the Board  
Philip Remnant CBE  
Chairman  
18 February 2015

## Income Statement

	(Unaudited) Half year ended 31 December 2014			(Unaudited) Half year ended 31 December 2013			(Audited) Year ended 30 June 2014		
	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	-	9,170	9,170	-	87,313	87,313	-	93,811	93,811
Income from investments held at fair value through profit or loss	21,673	-	21,673	17,223	-	17,223	44,972	-	44,972
Other interest receivable and similar income	140	-	140	282	-	282	605	-	605
<b>Gross revenue and capital gains</b>	<b>21,813</b>	<b>9,170</b>	<b>30,983</b>	<b>17,505</b>	<b>87,313</b>	<b>104,818</b>	<b>45,577</b>	<b>93,811</b>	<b>139,388</b>
Management fees	(603)	(1,409)	(2,012)	(538)	(1,254)	(1,792)	(1,115)	(2,602)	(3,717)
Other administrative expenses	(307)	-	(307)	(358)	-	(358)	(601)	-	(601)
<b>Net return on ordinary activities before finance charges and taxation</b>	<b>20,903</b>	<b>7,761</b>	<b>28,664</b>	<b>16,609</b>	<b>86,059</b>	<b>102,668</b>	<b>43,861</b>	<b>91,209</b>	<b>135,070</b>
Finance charges	(970)	(2,078)	(3,048)	(789)	(1,657)	(2,446)	(1,735)	(3,681)	(5,416)
<b>Net return on ordinary activities before taxation</b>	<b>19,933</b>	<b>5,683</b>	<b>25,616</b>	<b>15,820</b>	<b>84,402</b>	<b>100,222</b>	<b>42,126</b>	<b>87,528</b>	<b>129,654</b>
Taxation on net return on ordinary activities	(178)	-	(178)	(68)	-	(68)	(428)	-	(428)
<b>Net return on ordinary activities after taxation</b>	<b>19,755</b>	<b>5,683</b>	<b>25,438</b>	<b>15,752</b>	<b>84,402</b>	<b>100,154</b>	<b>41,698</b>	<b>87,528</b>	<b>129,226</b>
<b>Return per ordinary share - basic and diluted (note 2)</b>	<b>6.76p</b>	<b>1.95p</b>	<b>8.71p</b>	<b>5.95p</b>	<b>31.86p</b>	<b>37.81p</b>	<b>15.33p</b>	<b>32.19p</b>	<b>47.52p</b>

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.

The accompanying notes are an integral part of these financial statements.

## Reconciliation of Movements in Shareholders' Funds

Half year ended 31 December 2014 (unaudited)	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 July 2014	71,202	265,004	2,707	703,217	33,120	1,075,250
Net return on ordinary activities after taxation	-	-	-	5,683	19,755	25,438
Issue of 16,075,000 new ordinary shares	4,019	55,860	-	-	-	59,879
Fourth interim dividend (3.75p per share) for year ended 30 June 2014 paid 29 August 2014	-	-	-	-	(10,763)	(10,763)
First interim dividend (3.75p per share) for year ended 30 June 2015 paid 28 November 2014	-	-	-	-	(11,014)	(11,014)
Unclaimed dividends over 12 years old	-	-	-	-	48	48
<b>At 31 December 2014</b>	<b>75,221</b>	<b>320,864</b>	<b>2,707</b>	<b>708,900</b>	<b>31,146</b>	<b>1,138,838</b>
<b>Half year ended 31 December 2013 (unaudited)</b>	<b>Called-up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Capital redemption reserve £'000</b>	<b>Other capital reserves £'000</b>	<b>Revenue reserve £'000</b>	<b>Total £'000</b>
At 1 July 2013	64,496	172,471	2,707	615,689	31,034	886,397
Net return on ordinary activities after taxation	-	-	-	84,402	15,752	100,154
Issue of 14,625,000 new ordinary shares	3,656	49,712	-	-	-	53,368
Fourth interim dividend (3.63p per share) for year ended 30 June 2013 paid 31 August 2013	-	-	-	-	(9,423)	(9,423)
First interim dividend (3.63p per share) for year ended 30 June 2014 paid 29 November 2013	-	-	-	-	(9,713)	(9,713)
Unclaimed dividends over 12 years old	-	-	-	-	17	17
<b>At 31 December 2013</b>	<b>68,152</b>	<b>222,183</b>	<b>2,707</b>	<b>700,091</b>	<b>27,667</b>	<b>1,020,800</b>
<b>Year ended 30 June 2014 (Audited)</b>	<b>Called-up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Capital redemption reserve £'000</b>	<b>Other capital reserves £'000</b>	<b>Revenue reserve £'000</b>	<b>Total £'000</b>
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	6,706	92,533	-	-	-	99,239
Fourth interim dividend (3.63p per share) for year ended 30 June 2013 paid 30 August 2013	-	-	-	-	(9,423)	(9,423)
First interim dividend (3.63p per share) for year ended 30 June 2014 paid 29 November 2013	-	-	-	-	(9,713)	(9,713)
Second interim dividend (3.63p per share) for year ended 30 June 2014 paid 28 February 2014	-	-	-	-	(9,942)	(9,942)
Third interim dividend (3.75p per share) for year ended 30 June 2014 paid 30 May 2014	-	-	-	-	(10,551)	(10,551)
Unclaimed dividends over 12 years old	-	-	-	-	17	17
<b>At 30 June 2014</b>	<b>71,202</b>	<b>265,004</b>	<b>2,707</b>	<b>703,217</b>	<b>33,120</b>	<b>1,075,250</b>

The accompanying notes are an integral part of these financial statements.

## Balance Sheet

	(Unaudited) 31 December 2014 £'000	(Unaudited) 31 December 2013 £'000	(Audited) 30 June 2014 £'000
<b>Investments held at fair value through profit or loss</b>			
Listed at market value in the United Kingdom	1,106,853	1,004,780	1,026,603
Listed at market value overseas	123,740	93,074	124,874
Investment in subsidiary undertakings	347	347	347
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	<b>1,230,940</b>	<b>1,098,201</b>	<b>1,151,824</b>
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<b>Current assets</b>			
Debtors	3,989	4,026	7,073
Cash at bank	-	-	2,929
	-----	-----	-----
	<b>3,989</b>	<b>4,026</b>	<b>10,002</b>
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<b>Creditors:</b> amounts falling due within one year	<b>(20,132)</b>	<b>(34,028)</b>	<b>(10,639)</b>
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<b>Net current liabilities</b>	<b>(16,143)</b>	<b>(30,002)</b>	<b>(637)</b>
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<b>Total assets less current liabilities</b>	<b>1,214,797</b>	<b>1,068,199</b>	<b>1,151,187</b>
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<b>Creditors:</b> amounts falling due after more than one year	<b>(75,959)</b>	<b>(47,399)</b>	<b>(75,937)</b>
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<b>Net assets</b>	<b>1,138,838</b>	<b>1,020,800</b>	<b>1,075,250</b>
	=====	=====	=====
<b>Capital and reserves</b>			
Called-up share capital (note 3)	75,221	68,152	71,202
Share premium account	320,864	222,183	265,004
Capital redemption reserve	2,707	2,707	2,707
Other capital reserves	708,900	700,091	703,217
Revenue reserve	31,146	27,667	33,120
	-----	-----	-----
<b>Equity shareholders' funds</b>	<b>1,138,838</b>	<b>1,020,800</b>	<b>1,075,250</b>
	=====	=====	=====
<b>Net asset value per ordinary share - basic and diluted (note 4)</b>	<b>378.50p</b>	<b>374.45p</b>	<b>377.53p</b>
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

## Cash Flow Statement

	(Unaudited) Half year ended 31 December 2014 £'000	(Unaudited) Half year ended 31 December 2013 £'000	(Audited) Year ended 30 June 2014 £'000
Net cash inflow from operating activities	21,207	18,021	41,303
Net cash outflow from servicing of finance	(3,030)	(2,403)	(4,711)
Net tax recovered	206	11	215
Net cash outflow from financial investment	(70,869)	(58,289)	(104,419)
Equity dividends paid	(21,729)	(19,119)	(39,612)
Net cash inflow from financing	54,817	55,087	134,564
<b>(Increase)/decrease in net debt</b>	<b>(19,398)</b>	<b>(6,692)</b>	<b>27,340</b>
<b>Reconciliation of operating revenue to net cash inflow from operating activities</b>			
Total return before finance costs and taxation	28,664	102,668	135,070
Less: capital return before finance charges and taxation	(7,761)	(86,059)	(91,209)
Net revenue return before finance charges and taxation	20,903	16,609	43,861
Decrease in prepayments and accrued income	1,939	2,587	416
(Decrease)/increase in other creditors and accruals	(42)	157	274
Management fees taken to capital	(1,409)	(1,254)	(2,602)
Overseas withholding tax	(184)	(78)	(646)
<b>Net cash inflow from operating activities</b>	<b>21,207</b>	<b>18,021</b>	<b>41,303</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Increase)/decrease in debt as above	(19,398)	(6,692)	27,340
Net cash outflow from repayment of debenture	6,000	-	-
Net cashflow from issue of secured notes	-	-	(34,551)
Non cash movement	(22)	-	13
Exchange movements	(28)	17	46
Net debt at beginning of the period	(79,008)	(71,856)	(71,856)
<b>Net debt at end of the period</b>	<b>(92,456)</b>	<b>(78,531)</b>	<b>(79,008)</b>
<b>Represented by:</b>			
Cash at bank and short term deposits less bank overdrafts	(16,497)	(31,132)	(3,071)
Debt falling due after more than one year	(75,959)	(47,399)	(75,937)
	<b>(92,456)</b>	<b>(78,531)</b>	<b>(79,008)</b>

The accompanying notes are an integral part of these financial statements.



## 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 for the year ended 30 June 2014.

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 2014 £'000	(Unaudited) Half year ended 31 December 2013 £'000	(Audited) Year ended 30 June 2014 £'000
The return per ordinary share is based on the following figures:			
Revenue return	19,755	15,752	41,698
Capital return	5,683	84,402	87,528
<b>Total</b>	<b>25,438</b>	100,154	129,226
Weighted average number of ordinary shares in issue for each period			
	<b>292,028,481</b>	264,871,961	271,915,690
Revenue return per ordinary share	<b>6.76p</b>	5.95p	15.33p
Capital return per ordinary share	<b>1.95p</b>	31.86p	32.19p
<b>Total return per Ordinary share</b>	<b>8.71p</b>	37.81p	47.52p

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

### 3. Share Capital

During the half year ended 31 December 2014, 16,075,000 ordinary shares were issued for total proceeds of £59,879,000 (half year ended 31 December 2013: 14,625,000 ordinary shares issued for total proceeds of £53,368,000; year ended 30 June 2014: 26,825,000 ordinary shares issued for total proceeds of £99,239,000). The number of ordinary shares in issue at 31 December 2014 was 300,884,868.

### 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 £1,138,838,000 (31 December 2013: £1,020,800,000; 30 June 2014: £1,075,250,000) and on 300,884,868 ordinary shares (31 December 2013: 272,609,868; 30 June 2014: 284,809,868) being the number of ordinary shares in issue at the end of the period.

### 5. Transaction Costs

Purchase transaction costs for the half year ended 31 December 2014 were £648,000 (half year ended 31 December 2013: £264,000; year ended 30 June 2014: £644,000). These comprise mainly stamp duty and commissions. Sale transaction costs for the half year ended 31 December 2014 were £55,000 (half year ended 31 December 2013: £25,000; year ended 30 June 2014: £48,000).

**6. Dividends**

A first interim dividend of 3.75p was paid on 28 November 2014. The second interim dividend of 3.75p (declared on 9 December 2014) will be paid on 27 February 2015 to shareholders on the register on 23 January 2015. The Company's shares went ex-dividend on 22 January 2015.

**7. Management Arrangements and 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, there have been no material transactions with this related party affecting the financial position or performance of the Company during the period under review.

**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 2014 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. 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.

**11. Company Status**

The City of London Investment Trust plc is registered in England and Wales, No 34871, has its registered office at 201 Bishopsgate, London EC2M 3AE and is listed on the London and New Zealand Stock Exchanges. The SEDOL/ISIN number is GB0001990497. The London Stock Exchange (EPIC) Code is CTY. The Company's Global Intermediary Identification Number (GIIN) is S55HF7.99999.SL.826 and its Legal Entity Identifier number is 213800F3NOTF47H6AO55.

**12. Directors and Secretary**

The Directors of the Company are Philip Remnant CBE (Chairman), Richard Hextall (Chairman of the Audit Committee), Simon Barratt, David Brief and Martin Morgan. The Corporate Secretary is Henderson Secretarial Services Limited, represented by Rachel Peat ACIS.

**13.** Details of the Company's share price and net asset value, together with general information about the Company, monthly fact sheets and data, copies of announcements, reports and details of general meetings can be found at [www.cityinvestmenttrust.com](http://www.cityinvestmenttrust.com)

**14. Half Year Report**

An update extracted from the Company's report for the half year ended 31 December 2014 will be posted to shareholders in February 2015. Copies of the half year announcement and the half year update will be available on the website [www.cityinvestmenttrust.com](http://www.cityinvestmenttrust.com). Copies can also be requested thereafter from the Corporate Secretary at the Registered Office, 201 Bishopsgate, London EC2M 3AE.

## Largest Investments

The sixty largest investments at 31 December 2014, convertibles and all classes of equity in any one company being treated as one investment, were as follows:

Company	Market value 31 December 2014 £'000	Company	Market value 31 December 2014 £'000
Royal Dutch Shell	58,307	Provident Financial	12,925
HSBC	56,295	Phoenix Group	12,872
British American Tobacco	52,500	Schroders	12,450
Vodafone	36,960	Taylor Wimpey	12,402
BP	33,907	Berkeley	12,400
GlaxoSmithKline	33,024	Croda	12,245
Diageo	32,349	United Utilities	11,450
Unilever	28,361	Amlin	11,238
National Grid	27,543	Compass	11,010
AstraZeneca	27,333	Whitbread	10,733
Scottish & Southern Energy (SSE)	21,897	IMI	10,499
Reed Elsevier	21,770	Marks and Spencer	10,494
Verizon Communications	19,827	Munich Re	9,665
Prudential	19,396	Britvic	9,443
Land Securities	19,090	Next	9,207
Legal & General	18,645	Hiscox	8,952
Imperial Tobacco	17,583	Greene King	8,940
BAE Systems	17,464	Zurich Insurance	8,852
BT	17,264	Old Mutual	8,668
Rio Tinto	16,500	Kingfisher	8,513
British Land	16,240	Capita	8,486
Standard Life	15,695	Swire Pacific	8,336
Centrica	14,787	TUI	8,248
Barclays	14,610	Nationwide Building Society	8,222
Pearson	14,280	Merck	8,013
BHP Billiton	13,885	Segro	7,406
Reckitt Benckiser	13,880	ITV	7,317
Novartis	13,106	Nestlé	7,058
Sky	13,035	Connect	7,029
Persimmon	13,018	Severn Trent	7,021

**These investments total £1,008,645,000 or 81.96% of the portfolio.**

## Sector exposure

As a percentage of the investment portfolio excluding cash

	<u>%</u>
Financials	24.7
Consumer Goods	17.1
Consumer Services	13.4
Industrials	10.4
Oil & Gas	7.7
Utilities	7.2
Telecommunications	7.0
Health Care	6.6
Basic Materials	4.6
Technology	1.3
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<b>Total</b>	<b>100.0</b>
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