THE CITY OF LONDON INVESTMENT TRUST PLC

Annual Report 2019

53 YEARS CONTINUOUS DIVIDEND GROWTH

aic DIVIDEND HERO

AJBell FTI Awards 2019 Income - Active

MANAGED BY Janus Henderson INVESTORS

Contents

The image on the front cover is based on the Royal Exchange, London

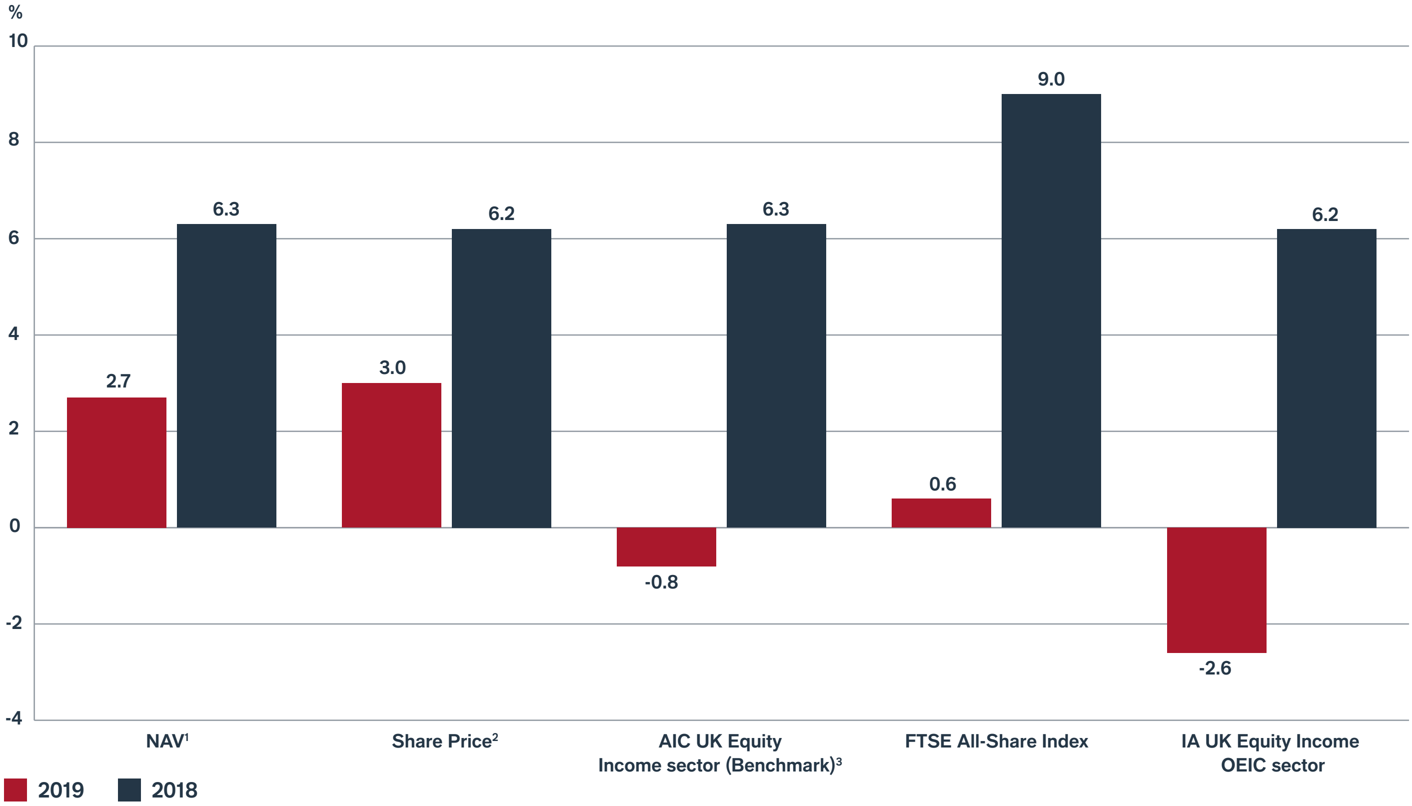
Strategic Report

"In a flat year for equity returns NAV total return was 2.7%, ahead of our sector and market benchmarks. Our dividend was increased for the 53rd consecutive year, by 5.1% and well ahead of inflation."

Philip Remnant CBE, Chairman

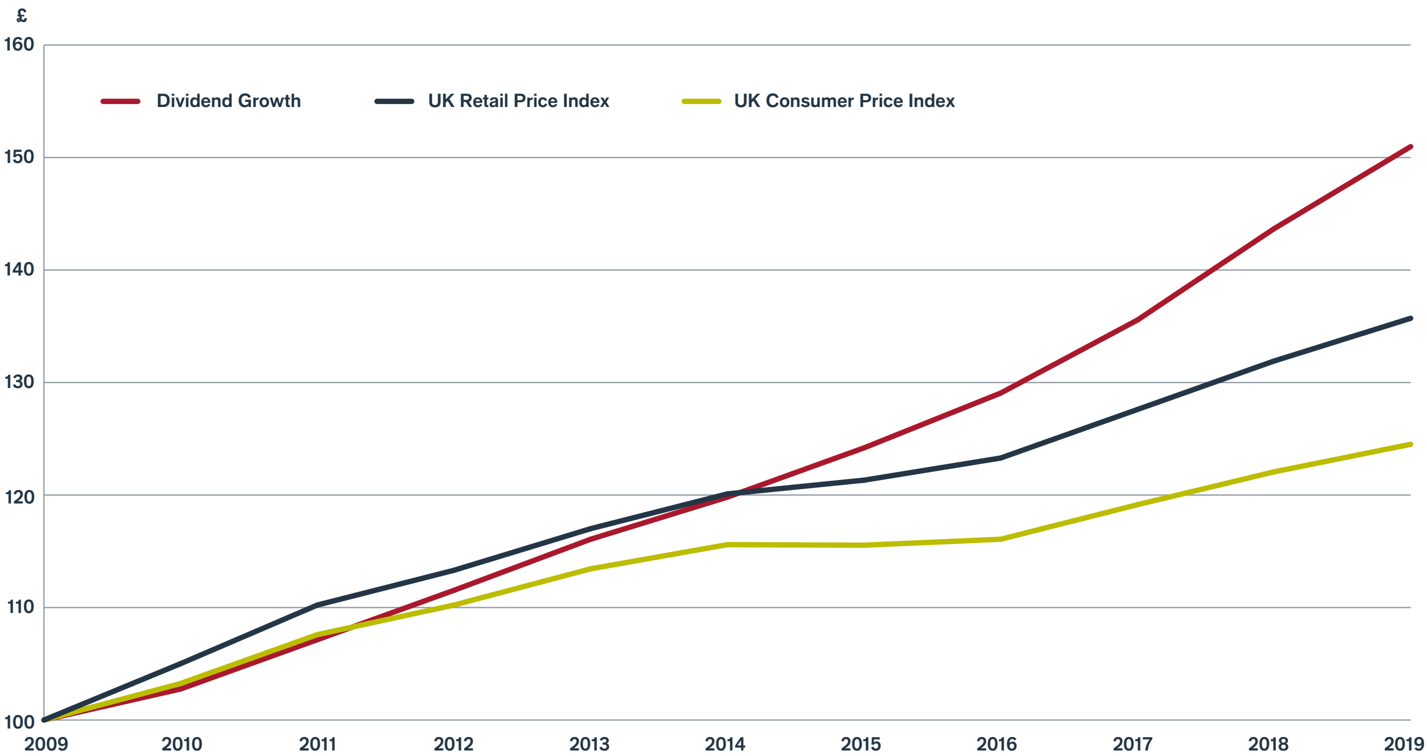
Strategic Report: Performance Highlights

Total Return Performance for year to 30 June 2019



Dividend growth compared with the Retail Price Index (RPI) and Consumer Price Index (CPI)

for the ten years to 30 June 2019 (rebased to 100)



Strategic Report: Performance Highlights (continued)

NAV per ordinary share

2019 **421.2p** 2018 429.2p

With debt at market value

2019 416.3p 2018 424.3p

Premium

2019 **1.0%** 2018 0.7%

With debt at market value

2019 2.2% 2018 1.8%

Share price

2019 **425.5p** 2018 432.0p

Dividends per share

2019 **18.6p** 2018 17.7p

Revenue earnings per share

2019 **19.8p** 2018 18.7p

Gearing

2019 **7.9%** 2018 7.7%

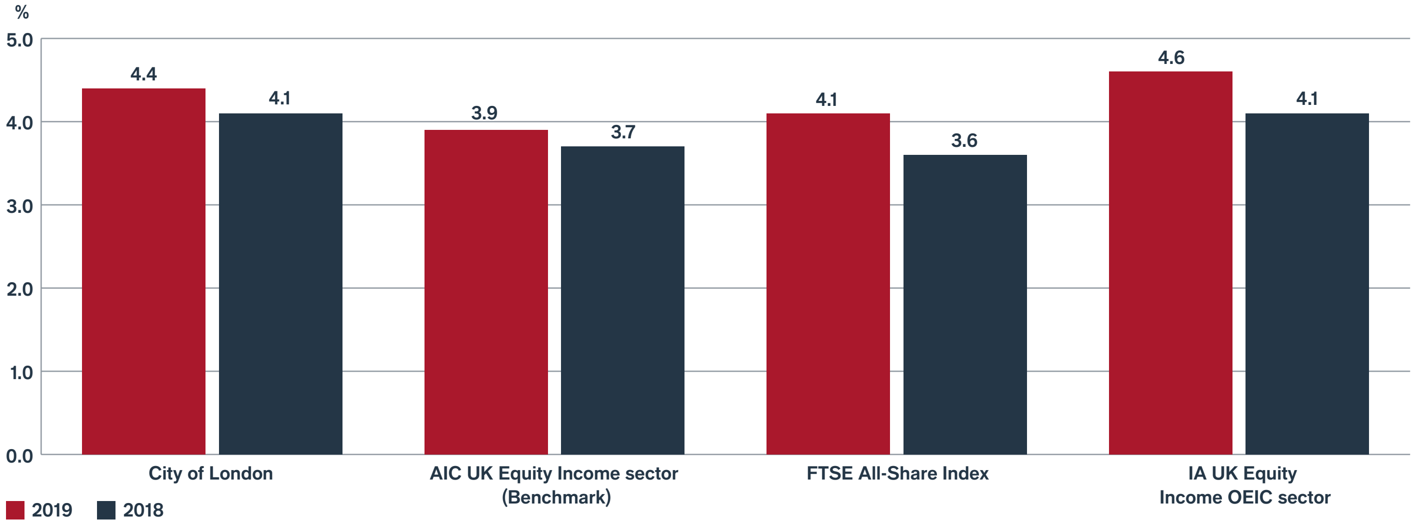
Revenue reserve per share

2019 **15.4p** 2018 15.0p

Ongoing charge[4]

2019 **0.39%** 2018 0.41%

Dividend Yields



1 Net asset value per ordinary share total return with debt at market value (including dividends reinvested)
2 Share price total return using mid-market closing price
3 AIC UK Equity Income sector size weighted average NAV total return (shareholders' funds)
4 Calculated using the methodology prescribed by the Association of Investment Companies ("AIC")

Sources: Morningstar for the AIC, Janus Henderson, Datastream

A glossary of terms is on page 22 and Alternative Performance Measures on pages 64 and 65

Strategic Report: Historical Performance

Total Return Performance to 30 June 2019

	1 year %	3 years %	5 years %	10 years %
Net asset value per ordinary share[1]	2.7	25.0	37.5	226.1
AIC UK Equity Income sector average – net asset value[2]	-0.8	24.6	33.9	213.3
FTSE All-Share Index	0.6	29.5	35.8	167.1
IA UK Equity Income OEIC sector average	-2.6	23.5	29.9	157.9

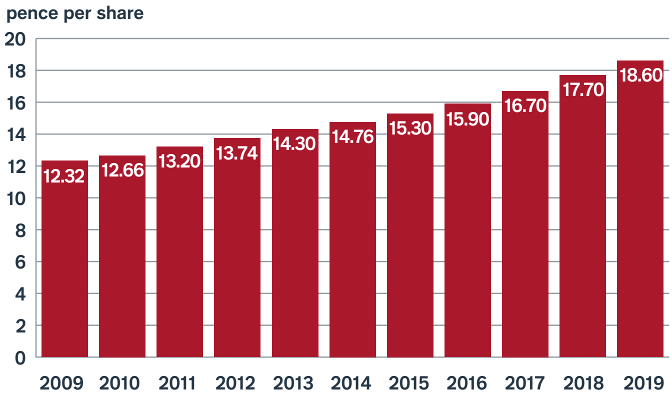
Share Price Performance Total Return to 30 June 2019

Value of £1,000 with net income reinvested	1 year £	3 years £	5 years £	10 years £
The City of London Investment Trust plc[3]	1,030.1	1,276.3	1,373.2	3,300.9
AIC UK Equity Income sector average[4]	1,000.5	1,260.2	1,288.3	3,064.7
FTSE All-Share Index	1,005.7	1,295.1	1,358.1	2,671.1
IA UK Equity Income OEIC sector average	974.5	1,234.8	1,298.6	2,579.1

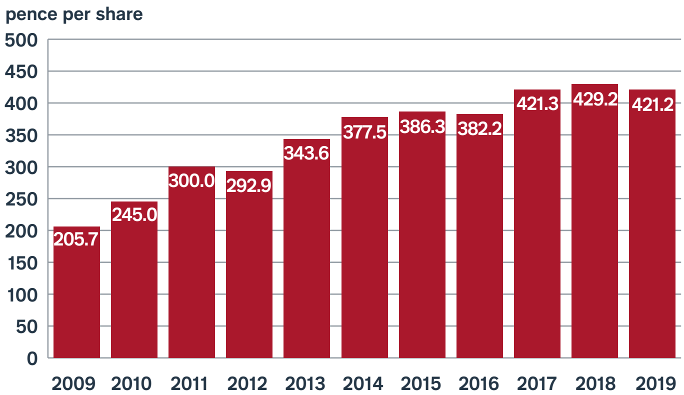
Ten Year Net Asset Value and Dividend Record

Year ended	Net Asset Value per Ordinary Share (p)[5]	Net Asset Value per Ordinary Share (rebased)[6]	Net Dividends per Ordinary Share (p)	Net Dividends per Ordinary Share (rebased)[6]
30 June 2009	205.7	100.0	12.32	100.0
30 June 2010	245.0	119.1	12.66	102.8
30 June 2011	300.0	145.8	13.20	107.1
30 June 2012	292.9	142.4	13.74	111.5
30 June 2013	343.6	167.0	14.30	116.1
30 June 2014	377.5	183.5	14.76	119.8
30 June 2015	386.3	187.8	15.30	124.2
30 June 2016	382.2	185.8	15.90	129.1
30 June 2017	421.3	204.8	16.70	135.6
30 June 2018	429.2	208.7	17.70	143.7
30 June 2019	**421.2**	**204.8**	**18.60**	**151.0**

Historical Dividend



Historical NAV



1 Net asset value per ordinary share with income reinvested
2 AIC UK Equity Income sector size weighted average NAV total return (shareholders' funds)
3 Share price total return using mid-market closing price
4 AIC UK Equity Income sector size weighted average share price total return
5 Net asset value per ordinary share is calculated after deducting all prior charges, including the preference and preferred ordinary stocks, at par
6 Rebased to 100 at 30 June 2009

Sources: Morningstar for the AIC, Janus Henderson, Datastream

A glossary of Alternative Performance Measures is on pages 64 and 65

Strategic Report: Chairman's Statement

The Chairman of the Board, Philip Remnant, reports on the year to 30 June 2019

I am pleased to report that, although our net asset value total return was a modest 2.7%, it was ahead of the averages of each of the AIC UK Equity Income and IA UK Equity Income OEIC sectors and the FTSE All-Share Index. The dividend was increased for the 53rd consecutive year, by 5.1% and well ahead of inflation.

The Markets

Slowing economic growth and tension over trade tariffs weighed on global equity markets over the twelve months. Sentiment improved in January 2019 as the Federal Reserve, the US central bank, indicated a more accommodative monetary policy going forward. In the UK, Brexit introduced an extra element of uncertainty with the intended date for departure from the European Union postponed from 31 March to 31 October 2019. Sterling fell some 4% against the US dollar and the 10 year gilt yield fell to 0.8% at 30 June 2019. The FTSE 100, the index of the largest UK listed companies in which City of London's principal investments lie, outperformed the more domestically focused FTSE 250, the index of medium-sized companies, and the FTSE Small Cap Index.

Performance

Earnings and Dividends

Revenue earnings per share rose by 5.9% to 19.8p, reflecting the underlying dividend growth from investments held. Special revenue dividends, which made up 4.8% of gross revenue, were £3.7 million, an increase of £1.1 million from the previous year.

City of London increased its dividend by 5.1% over the previous year and added £5.1 million to revenue reserves. This is the seventh successive year when we have raised the dividend and yet increased revenue reserves to underpin future dividends. Revenue reserves per share now stand at 15.4p, an increase of 2.7% over last year despite continued share issuance by the Company.

The quarterly dividend will next be considered by the Board when the third interim is declared in April 2020.

Net Asset Value Total Return

City of London's net asset value total return was 2.7% which was 3.5% ahead of the AIC UK Equity Income sector average, 5.3% ahead of the IA UK Equity Income OEIC sector average and 2.1% ahead of the FTSE All-Share Index. The net asset value fell by 1.9% but our dividend income over the year took our net asset value total return into positive territory.

Compared with the FTSE All-Share Index, stock selection contributed 3.0%. In general, international and defensive companies performed well and the largest stock contributor was Nestlé of Switzerland followed by Merck and Verizon of the U.S. The fourth largest stock contribution and best UK listed stock over the year was Greggs, the bakery retailer. RELX, Unilever and Diageo were notable contributors among our largest holdings. The underweight position in AstraZeneca was the biggest stock detractor, followed by the performance of travel group TUI and the absence of a holding in Shire which was taken over. Gearing, which began the year at 7.7%, rose to 11.9% at the half-way point and ended the twelve month period at 7.9%, also detracted by 0.6%.

You will see from the Fund Manager's Report that he has reduced the number of stocks held by the Company from 115 to 97 over the last two years. Your Board believes that this will increase the focus of the portfolio and improve the scope for outperformance.

Share Issues

During the year City of London's ordinary shares have again been in strong demand and have continued to trade at a premium. A total of 24 million ordinary shares were issued at a premium to net asset value for proceeds of £99.1 million. In the past nine years, City of London has issued 170 million shares, which has increased its share capital by 81.6%. Since 30 June 2019, we have issued a further 2.5 million ordinary shares.

Reduced Management Fee and Expenses

I reported at the half year that, with effect from 1 January 2019, the management fee rate which we pay to Janus Henderson has been reduced to 0.325% per annum of net assets. Partly as a result of this, our ongoing charge for the year declined from 0.41% to 0.39%. Given that these new fee arrangements were in place for only half of the period under review, I would expect the ongoing charge to fall further for the 2019/20 financial year. Our costs remain very competitive compared with other actively managed equity funds.

Benchmark

Since 2009 our benchmark has been the size-weighted average of the AIC UK Equity Income sector which consists of 25 investment trusts. Your Board has periodically considered the relevance of this benchmark but has to date considered that there is no one more relevant benchmark.

We believe that one defining feature of an Equity Income fund is that it delivers a yield at a premium to the market and this is indeed the approach adopted by the Investment Association in its classification of open-ended funds. City of London's portfolio typically yields between 10% and 30% above the average dividend yield for the UK market, although it is currently towards the lower end of this range given the concentration of dividends in a small number of very large companies in many of which the Company tends to be underweight.

Strategic Report: Chairman's Statement (continued)

The AIC has recently undertaken a review of its sector classifications. As a result, the constituents of the Equity Income sector remain unchanged save for one addition. The largest trust in our sector (City is the second largest) has a dividend yield of only 1.7%, well below the market average. In addition, given that the sector consists of a small number of trusts, some very small trusts and some with portfolio characteristics very different from our own, we no longer consider it appropriate to use the sector average as our benchmark.

Your Board has decided to use the FTSE All-Share Index as our benchmark from 1 July 2019. It is the most popular benchmark for UK equity funds and the factors driving the performance of our portfolio relative to the FTSE All-Share Index can be readily identified. In the long run, City of London has outperformed the FTSE All-Share Index. For example, over ten years City of London's net asset value total return is 226.1% compared with 167.1% for the FTSE All-Share Index. We will continue to show in our Annual Report comparative data for the AIC UK Equity Income and IA UK Equity Income OEIC sector averages because peer group performance is relevant to investors and the Board in holding the Manager to account.

The Board

We take the appointment of directors, and governance generally, very seriously. Each year, we assess the composition of the Board and its performance, including that of individual directors. Every three years we conduct an external review and this was carried out this year by Lintstock on our behalf. I am delighted to say that they concluded that the Board remains highly effective, with a very good range of skills represented on the Board and a clear understanding of the risks facing the Company.

We announced on 13 September 2019 that Clare Wardle would join the Board on 1 November 2019. She brings to the Board valuable experience from her background in law and company secretarial. She has been Group General Counsel and Company Secretary of Coca-Cola European Partners and of Kingfisher plc. In accordance with best practice, we employed a specialist external search firm to find Clare.

In February 2019 the AIC published an updated Code of Governance which largely mirrors the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council ("FRC") save that the strict nine year cap on the Chairman's tenure contained in the FRC's code has been disapplied by the AIC. I see no reason why the rules which apply to the length of time which the chairman of an investment company can serve should be more relaxed than those which apply to other listed companies, and so I will be stepping down as Chairman of City of London during 2020. Simon Barratt, our Senior Independent Director, is leading the search for my replacement and it is expected that he will also leave the Board next year once this appointment is made, as he too will have been on the Board for nine years.

Annual General Meeting

The 2019 Annual General Meeting will be held at the offices of Janus Henderson Investors, 201 Bishopsgate, London EC2M 3AE on Thursday, 24 October 2019. I would encourage as many shareholders as possible to attend for the opportunity to meet the Board and to watch a presentation from Job Curtis, our Fund Manager. If you are unable to attend in person, you can watch the meeting as it happens by visiting **www.janushenderson.com/trustslive**.

Outlook

The record low level of 10 year bond yields, with Japan and several European countries in negative territory, indicates the considerable uncertainty about economic growth prospects. The growth of internet commerce is having a deflationary impact globally. Rising trade tariffs are likely to reduce growth and the outcome of the disputes between the US and its various trading partners is uncertain. While the UK economic growth rate has fallen over the last year, in common with other European countries, there are positive aspects, notably the strength of the labour market with record numbers in work.

The path of the UK's future relationship with the European Union remains unclear but a general election is now imminent. In conjunction with our managers, we have continued to consider the direct practical consequences of Brexit on the operations of City of London and do not consider them to be material. To the extent that concerns about Brexit continue to put pressure on sterling, this would be a positive for City of London's portfolio given the predominance of international companies where profits and dividends will increase when translated from overseas currencies into sterling. On the other hand, a resolution of Brexit could help investment in the UK as businesses and investors gain greater clarity.

City of London's portfolio is predominantly invested in large, international companies. The dividend yield of our portfolio is much higher than fixed interest yields and bank deposit rates. We have a 53 year record of annual dividend increases and we are confident of continuing our record given the quality of the companies in which we are invested and the advantages which our closed end, investment trust structure gives us.

Philip Remnant CBE
Chairman
19 September 2019

Strategic Report: Portfolio Information

Forty largest investments as at 30 June 2019

The 40 largest investments, represent 75.04% of the portfolio (convertibles, all classes of equity and all written call option positions in any one company being treated as one investment), are listed below.

Position	Company	Sector	Market Value £'000	Portfolio %
1	Royal Dutch Shell	Oil & Gas Producers	123,080	7.15
2	HSBC	Banks	76,857	4.47
3	Diageo	Beverages	66,997	3.89
4	BP	Oil & Gas Producers	66,929	3.89
5	Unilever	Personal Goods	56,887	3.30
6	Prudential	Life Insurance	51,547	2.99
7	Lloyds Banking	Banks	50,931	2.96
8	RELX	Media	48,554	2.82
9	British American Tobacco	Tobacco	46,183	2.68
10	Rio Tinto	Mining	41,484	2.41
Top 10			**629,449**	**36.56**
11	GlaxoSmithKline	Pharmaceuticals & Biotechnology	38,233	2.22
12	BHP	Mining	33,907	1.97
13	Verizon Communications	Fixed Line Telecommunications	31,417	1.83
14	Phoenix	Life Insurance	30,767	1.79
15	Taylor Wimpey	Household Goods & Home Construction	30,003	1.74
16	BAE Systems	Aerospace & Defence	29,724	1.73
17	St. James's Place	Life Insurance	28,877	1.68
18	Reckitt Benckiser	Household Goods & Home Construction	27,963	1.62
19	AstraZeneca	Pharmaceuticals & Biotechnology	26,396	1.53
20	Land Securities	Real Estate Investment Trusts	24,996	1.45
Top 20			**931,732**	**54.12**
21	Schroders	Financial Services	24,550	1.43
22	Croda International	Chemicals	22,973	1.33
23	National Grid	Gas, Water & Multiutilities	22,567	1.32
24	Nestlé	Food Producers	22,090	1.28
25	Compass	Travel & Leisure	21,741	1.26
26	Hiscox	Non-life Insurance	19,145	1.11
27	Carnival	Travel & Leisure	19,135	1.11
28	Vodafone	Mobile Telecommunications	19,075	1.11
29	Anglo American	Mining	18,868	1.10
30	Barclays	Banks	17,976	1.04
Top 30			**1,139,852**	**66.21**
31	Merck	Pharmaceuticals & Biotechnology	17,314	1.01
32	Novartis	Pharmaceuticals & Biotechnology	17,104	0.99
33	Persimmon	Household Goods & Home Construction	16,150	0.94
34	Coca-Cola	Beverages	15,212	0.88
35	Spirax-Sarco Engineering	Industrial Engineering	15,155	0.88
36	Greene King	Travel & Leisure	14,847	0.86
37	British Land	Real Estate Investment Trusts	14,806	0.86
38	Direct Line Insurance	Non-life Insurance	14,084	0.82
39	Imperial Brands	Tobacco	13,891	0.81
40	Ibstock	Construction & Materials	13,494	0.78
Top 40			**1,291,909**	**75.04**

Convertibles and all classes of equity in any one company are treated as one investment.

Strategic Report: Portfolio Information (continued)

Classification of investments and portfolio weighting as at 30 June 2019

		Portfolio %	FTSE All-Share Index %	Relative to the FTSE All-Share Index percentage points
Oil & Gas	Oil & Gas Producers	11.0	14.0	(3.0)
	Oil Equipment, Services & Distribution	–	0.2	(0.2)
		11.0	**14.2**	
Basic Materials	Chemicals	2.1	0.8	1.3
	Construction & Materials	1.2	1.6	(0.4)
	Forestry & Paper	0.4	0.3	0.1
	Industrials Metals & Mining	–	0.2	(0.2)
	Mining	5.5	6.9	(1.4)
		9.2	**9.8**	
Industrials	Aerospace & Defence	2.6	1.8	0.8
	Electronic & Electrical Equipment	1.2	0.7	0.5
	General Industrials	1.5	1.0	0.5
	Industrial Engineering	1.8	0.9	0.9
	Industrial Transportation	0.3	0.3	–
	Support Services	1.3	5.2	(3.9)
		8.7	**9.9**	
Consumer Goods	Beverages	5.5	3.8	1.7
	Food Producers	1.9	0.7	1.2
	Household Goods & Home Construction	4.8	3.1	1.7
	Leisure Goods	–	0.1	(0.1)
	Personal Goods	3.3	2.7	0.6
	Tobacco	3.5	3.5	–
		19.0	**13.9**	
Health Care	Health Care Equipment & Services	0.7	1.0	(0.3)
	Pharmaceuticals & Biotechnology	6.2	7.5	(1.3)
		6.9	**8.5**	
Consumer Services	Food & Drug Retailers	1.1	1.6	(0.5)
	General Retailers	0.9	1.6	(0.7)
	Media	3.3	3.8	(0.5)
	Travel & Leisure	6.0	4.5	1.5
		11.3	**11.5**	
Telecommunications	Fixed Line Telecommunications	2.5	0.8	1.7
	Mobile Telecommunications	1.9	1.6	0.3
		4.4	**2.4**	
Utilities	Electricity	0.8	0.6	0.2
	Gas, Water & Multiutilities	2.5	2.0	0.5
		3.3	**2.6**	
Financials	Banks	9.0	10.1	(1.1)
	Equity Investment Instruments	–	5.2	(5.2)
	Financial Services	2.7	3.3	(0.6)
	Life Insurance	6.8	3.8	3.0
	Non-life Insurance	2.9	1.1	1.8
	Real Estate Investment & Services	–	0.4	(0.4)
	Real Estate Investment Trusts	3.3	2.1	1.2
		24.7	**26.0**	
Technology	Software & Computer Services	1.5	1.1	0.4
	Technology Hardware & Equipment	–	0.1	(0.1)
		1.5	**1.2**	
Total		**100.0**	**100.0**	

Strategic Report: Fund Manager's Report

The Fund Manager, Job Curtis, reports on the year to 30 June 2019

Investment Background

FTSE All-Share Index Total Return (rebased to 100)

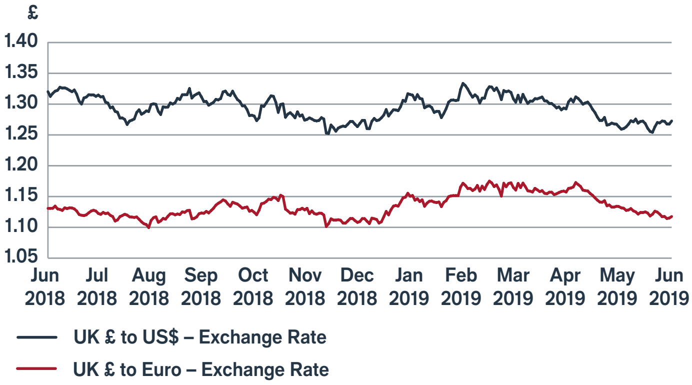
Source: Datastream, as at 30 June 2019

The first half of the period under review was characterised by monetary tightening and falling stock markets. In the US, interest rates were increased by the Federal Reserve, the central bank, which also engaged in quantitative tightening or not reinvesting the proceeds from bonds it held as they matured. The European Central Bank stopped buying bonds at the end of 2018. In the UK, the base rate was increased from 0.5% to 0.75%. Given this monetary environment, world equity markets fell in the six months to 31 December 2018 and the UK equity market, as measured by the FTSE All-Share Index, produced a negative total return of 11.0%.

Sentiment changed in January 2019, with the Federal Reserve indicating a more dovish approach as inflation was below target and market expectations in the US shifted to the anticipation of interest rate cuts. Despite disappointing economic growth globally and tension over trade tariffs, stock markets rallied. Bond yields fell with the US 10 year government bond yield falling from 2.7% at the start of January to 2.0% by the end of June. 10 year government bond yields for Germany and France ended June in negative territory.

In the UK, the situation was complicated by Brexit with stock building ahead of 31 March, the first intended Brexit date, reversing in the second quarter of 2019. Economic growth was adversely affected by weak investment and slowing export markets but helped by the strong labour market with the numbers in employment continuing to rise. The 10 year gilt yield fell to end the period at 0.8%. The equity market recovered from its losses of the second half of 2018 to produce a total return for the twelve month period to 30 June 2019 of 0.6%, as measured by the FTSE All-Share Index.

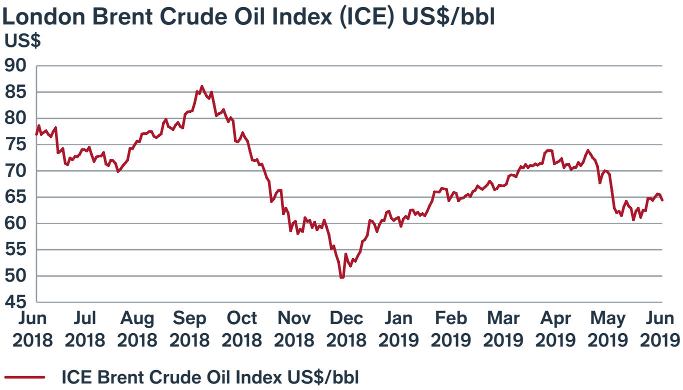
UK £ versus Euro and US$



Source: Datastream, as at 30 June 2019

Over the twelve months, the exchange rate of sterling against the US dollar fell from 1.32 to 1.27; against the euro, the fall was marginal from 1.13 to 1.12. The relatively high US economic growth rate helped the dollar and the uncertainty over Brexit and UK politics weighed on sterling.

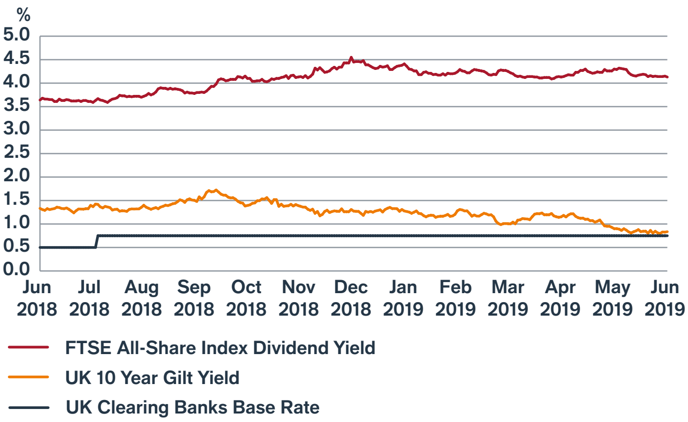
London Brent Crude Oil Index (ICE) US$/bbl



Source: Bloomberg, as at 30 June 2019

The oil price (Brent crude) started the period at US$77/bbl but fell to US$53/bbl by 31 December 2018 as US shale oil production rose faster than expected. During the first half of 2019, the oil price recovered to US$64/bbl with OPEC (the cartel of oil producing countries) showing supply discipline, Iranian sales restricted by sanctions and production issues for some other countries.

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



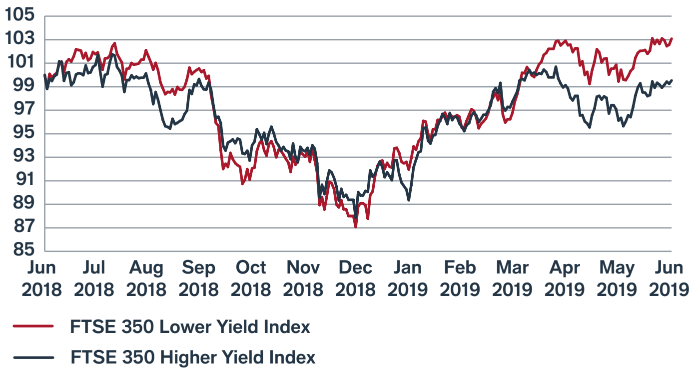
Source: Datastream, as at 30 June 2019

Strategic Report: Fund Manager's Report (continued)

Throughout the twelve months the dividend yield for the UK equity market, which ranged from 3.6% to 4.5%, was significantly above the 10 year gilt yield and the base rate as can be seen from the chart. In addition, UK equity market dividends increased above the rate of inflation. Over the twelve months, companies in City of London's portfolio increased their dividends on average by 3.3% (excluding special dividends).

The Company's gearing started the period at 7.7% and increased to 11.9% by 31 December 2018 which was appropriate given the cheaper valuation of equities after the fall in the market at that point. As share prices recovered in the first half of 2019, gearing declined to end the Company's financial year at 7.9%.

Performance of Higher Yielding Shares Compared with Lower Yielding Shares (rebased to 100)



Source: Datastream, as at 30 June 2019

The chart above 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).

Over the twelve months, the FTSE 350 Lower Yield Index outperformed reflecting the gains from lower yielding sectors such as technology and beverages and the underperformance of some higher yielding sectors such as telecommunications and utilities.

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

	2019 %	2018 %
Stock Selection	+2.99	-2.89
Gearing	-0.61	+0.47
Expenses	-0.39	-0.41
Share Issues	+0.11	+0.09
Total	**+2.10**	**-2.74**

Source: Janus Henderson

City of London outperformed the FTSE All-Share Index by 2.1% over the twelve months to 30 June 2019. Stock selection contributed 2.99% while gearing detracted 0.61%. Expenses were down from 0.41% to 0.39% as a result of the renegotiated management fee rate effective from 1 January 2019.

The overseas listed holdings were notable contributors with Nestlé, Merck, Verizon, Novartis and Microsoft being five of the top six contributors of stocks held. The largest UK listed contributor of stocks held (and fourth overall) was Greggs, the ready-to-eat bakery retailer.

Although AstraZeneca, the pharmaceutical company which had a strong share price performance over the twelve months, is held in the portfolio, the size of the stake is significantly under represented relative to the FTSE All-Share Index and it was the biggest stock detractor. The next biggest detractor was travel company TUI which had been the best stock contributor the previous year. The holding in TUI was reduced but not enough given the challenging conditions for travel companies in Europe during this period.

Over the long-term, City has significantly outperformed the Index. For example, over ten years City's net asset value total return is 226.1% compared to 167.1% of the FTSE All-Share Index.

Portfolio Review

Over the last two years, the number of holdings in the portfolio has been reduced from 115 (at 30 June 2017) to 102 (at 30 June 2018) and to 97 (at 30 June 2019). In our view, while it is beneficial for a conservative portfolio to be diversified, at 97 holdings there is more focus with each holding having more of an impact.

A common theme among three of the top five contributing sectors to performance was making and selling consumer staples products that are used on an everyday basis for which demand is not particularly sensitive to economic growth. The biggest contributing sector was food producers, the fourth best beverages and the fifth personal goods. The largest stocks held in the portfolio, in these three sectors, are in descending order of size: Diageo, followed by Unilever, Nestlé and Coca-Cola. These companies have in common that they are global and provide basic consumer products where there is relatively stable demand. With government bond yields falling, indicating fears of an economic slowdown, the stability of profits and dividends from this group of companies is attractive. In addition, there is long-term structural growth for these companies in emerging markets where they already have a significant presence. As the income of large populations in emerging markets improve over time, it is likely that their consumption of branded consumer goods will steadily increase.

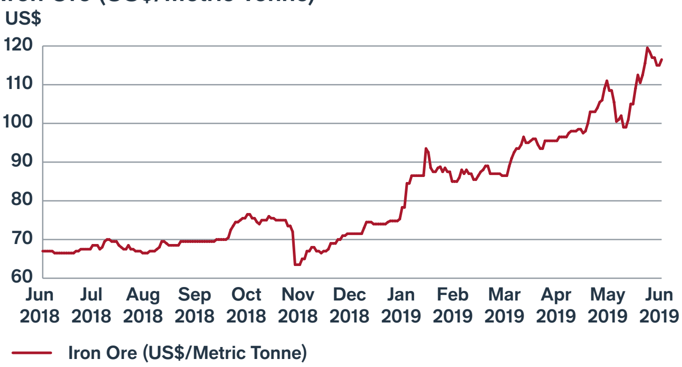
One consumer staples sector that performed poorly over the twelve months was tobacco. Cigarette smoking has been in long-term decline for many years but new forms of nicotine consumption, such as vaping and e-cigarettes, have increased the rate of the decline. City of London's exposure to the tobacco sector has been in line with the FTSE All-Share Index over the last year with British American Tobacco and Imperial Brands continuing to deliver attractive dividends.

The second best contributing sector was fixed line telecommunications, where City's largest holding was Verizon Communications. The US telecommunications market, where Verizon operates, is well structured with two leading operators, of which Verizon is one. Verizon has increased its dividend consistently over the last five years. In contrast, Vodafone cut its dividend due to rising

Strategic Report: Fund Manager's Report (continued)

indebtedness after the acquisition of cable assets from Liberty Global and the regulatory and competitive pressure in European telecommunication markets. City of London's position in Vodafone was reduced in the months ahead of the dividend cut so that we were under represented relative to the weighting in the FTSE All-Share Index. Vodafone has some attractive assets, such as its position as the second largest operator in Germany, and it should benefit from the growth in mobile data usage going forward. Elsewhere in the telecommunications sector, the holding in Manx Telecom was sold after it agreed to be taken over. Profits were also taken in Swisscom which appeared to be fully valued given its limited growth prospects.

Iron Ore (US$/Metric Tonne)



Source: Datastream, as at 30 June 2019

The third biggest contributing sector was mining where Rio Tinto, BHP and Anglo American were held. All three companies benefited from the rising price of iron ore due partly to growing demand from customers in China and partly due to supply constraints following the Brazilian miner Vale closing one of its mines because a collapsed dam had caused flooding and fatalities. The mining companies held in the portfolio delivered improvements in operating efficiency and attractive dividends.

The sector that detracted most from relative performance was financial services but the cost was relatively modest at 0.4%. The biggest stock negative in financial services was not holding London Stock Exchange, which has a low dividend yield but performed strongly over the twelve months. In addition TP ICAP, which was held, disappointed expectations for savings from its merger. Subsequently management was changed.

The second biggest detracting sector was Real Estate Investment Trusts (REITs). The sector suffered from the problems of high street and shopping centre retailers loosing sales to the internet. There were a number of high profile bankruptcies of retailers and also some Company Voluntary Agreements which allow a retailer to reduce its rent. As a result, rental income for retail property was under pressure and values slid. The holding in leading shopping centre owner Unibail-Rodamco-Westfield was sold as was the small Supermarket Income REIT. In addition, RDI (formerly Redefine International) was also sold on account of its high leverage. Within the REITs held in the portfolio, Segro was a notable outperformer as it specialises in industrial property, including warehouses, needed by internet retailers as they expand. The portfolio's exposure to retailers was also reduced. N Brown and Pendragon were sold and the holding in Marks and Spencer which cut its dividend, was reduced by 50%. The third biggest detracting sector was industrial transportation where Royal Mail had a poor year. Falling volumes in letters offset the growth in its parcels business.

Five new holdings were bought over the twelve months which were all in our view, quality companies offering some additional diversification for the portfolio. Mondi is a vertically integrated paper and packaging company with some of the lowest cost mills. It is an international leader in its sector and provides an essential product to a wide range of industries.

Senior manufactures specialist engineering products. About half are in fluid systems, which allow gas/liquids to be pumped through at high temperature/pressure in small spaces with no leakage, and the other half are in structures where key products are wing structures and engine casings. Some 65% of sales are to the aerospace sector with the rest to industrial and automotive customers. Cost and production efficiencies as new product sales grow should improve profitability over the medium term.

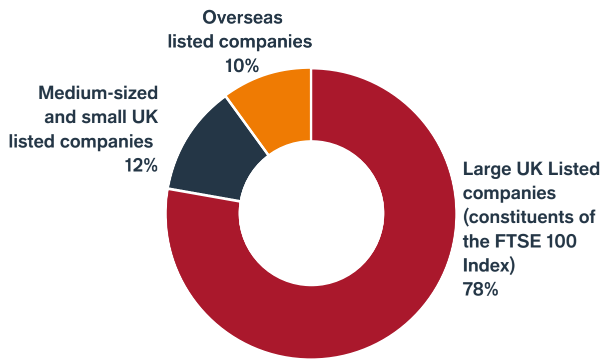
Ferguson is UK listed but has 86% of its turnover in the U.S. It is a leading specialist plumbing and heating distributor focused primarily on the repair, maintenance and improvement markets. It augments its organic growth through the acquisition of much smaller operators.

National Express is a bus and coach company with profits split 36% from Spain, 35% from North America and 27% from the UK. The company has a good record of delivering operational excellence to grow passenger volumes as well as using technology to cut costs. It also makes bolt-on acquisitions to supplement organic growth.

St James's Place specialises in the provision of financial services and advice through a network of tied advisers. It has experienced impressive growth in assets under management over the last five years and should benefit from favourable long-term demographics.

Two holdings were sold ahead of dividend cuts; Centrica, the utility that owns the British Gas brand, and Low and Bonar, the specialist materials manufacturer. In addition, Melrose, which had taken over GKN in the previous year, was sold given the poor outlook for car sales.

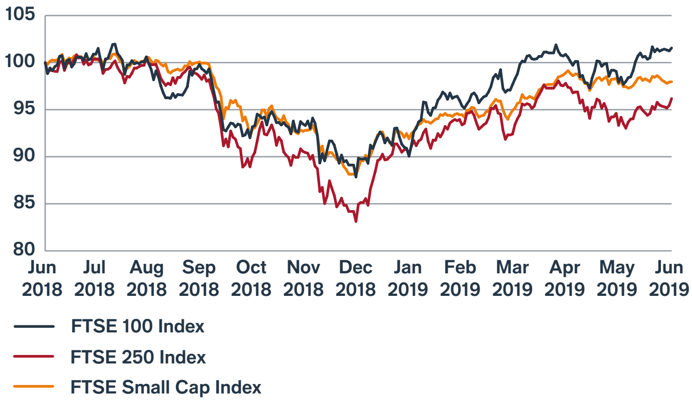
Distribution of the Portfolio as at 30 June 2019



Strategic Report: Fund Manager's Report (continued)

The portion of the portfolio invested in large UK listed companies increased over the year from 73% to 78%. This was mainly due to the decline in the portion invested in medium-sized and small UK companies from 16% to 12%. The part of the portfolio invested in overseas listed companies also declined from 11% to 10%.

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



Source: Datastream, as at 30 June 2019

The chart above compares the performance of the largest companies (FTSE 100) with medium-sized companies (FTSE 250) and small companies (FTSE Small Cap). Large companies outperformed medium-sized and small companies over this twelve month period. Large international companies in sectors such as beverages and pharmaceuticals were particularly strong performers.

Portfolio Outlook

The portfolio is biased towards large international companies. Among the top ten holdings, only Lloyds Banking has more than half its business in the UK. The other large holding in the banks sector is HSBC which earns the majority of its profits from the Asia Pacific region. Both banks are well capitalised with attractive dividend yields that, in our view, are sustainable.

Oil companies Royal Dutch Shell and BP are respectively the largest and fourth largest holdings. While their profits are affected by the oil price, both companies have significantly reduced their cost of production in recent years. A similar self-help story has been experienced at miners Rio Tinto (tenth largest holding) and BHP (twelfth largest). While demand for many commodities is linked to the growth of the Chinese economy, Rio Tinto and BHP own some of the best assets in the global mining sector.

Diageo, the international alcoholic beverages company with Johnnie Walker whisky and Guinness beer amongst its brands, moved up over the year from fifth largest to third as a result of strong share price performance. Diageo with Unilever (fifth largest holding) are well placed to continue to produce consistent growth from their consumer goods which are sold globally.

Prudential (sixth largest holding) is expected to split into two companies over the next year which should liberate shareholder value. The international part of the company, which consists of its Asia Pacific and US operations, could attract significant investor interest. RELX (eighth largest holding) should continue to produce consistent profits growth from providing information and analytics for business and professional customers. British American Tobacco (ninth largest holding) offers an attractive dividend well covered by free cash flow.

While the portfolio is predominantly invested in large, international companies, there are some domestic sectors that are also favoured. In particular, UK housebuilding would appear to have good prospects given the latent demand for home ownership, fairly full employment and low interest rates. Taylor Wimpey is the fifteenth largest holding and also held are Persimmon and Berkeley.

The portfolio is diversified across a range of industries. In our view, it is well balanced with quality companies that can deliver City of London's income and growth objective.

Job Curtis
Fund Manager
19 September 2019

Strategic Report: Portfolio Information

Sector breakdown of investments as at 30 June 2019

	Valuation £'000
OIL & GAS	
Oil & Gas Producers	
Royal Dutch Shell	123,080
BP	66,929
	190,009
Total Oil & Gas	**190,009**
BASIC MATERIALS	
Chemicals	
Croda International	22,973
Johnson Matthey	6,729
Victrex	5,626
	35,328
Construction & Materials	
Ibstock	13,494
Marshalls	6,710
	20,204
Forestry & paper	
Mondi	7,697
	7,697
Mining	
Rio Tinto	41,484
BHP	33,907
Anglo American	18,868
	94,259
Total Basic Materials	**157,488**
INDUSTRIALS	
Aerospace & Defence	
BAE Systems	29,724
Meggitt	10,109
Senior	4,532
	44,365
Electronic & Electrical Equipment	
Halma	9,595
Renishaw	6,174
XP Power	4,420
	20,189
General Industrials	
Swire Pacific[1]	9,751
Siemens[1]	7,935
Smiths	7,908
	25,594
Industrial Engineering	
Spirax-Sarco Engineering	15,155
IMI	10,012
Rotork	5,541
	30,708
Industrial Transportation	
Royal Mail	5,247
	5,247
Support Services	
Ferguson	12,057
Paypoint	4,850
De La Rue	3,537
Connect	1,870
	22,314
Total Industrials	**148,417**

	Valuation £'000
CONSUMER GOODS	
Beverages	
Diageo	66,997
Coca-Cola[1]	15,212
Britvic	12,680
	94,889
Food Producers	
Nestlé[1]	22,090
Tate & Lyle	11,194
	33,284
Household Goods & Home Construction	
Taylor Wimpey	30,003
Reckitt Benckiser	27,963
Persimmon	16,150
Berkeley	8,768
	82,884
Personal Goods	
Unilever	56,887
	56,887
Tobacco	
British American Tobacco	46,183
Imperial Brands	13,891
	60,074
Total Consumer Goods	**328,018**
HEALTH CARE	
Health Care Equipment & Services	
Smith & Nephew	11,201
	11,201
Pharmaceuticals & Biotechnology	
GlaxoSmithKline	38,233
AstraZeneca	26,396
Merck[1]	17,314
Novartis[1]	17,104
Johnson & Johnson[1]	8,279
	107,326
Total Health Care	**118,527**
CONSUMER SERVICES	
Food & Drug Retailers	
Greggs	9,881
J. Sainsbury	9,308
	19,189
General Retailers	
Kingfisher	5,804
Halfords	3,364
Marks & Spencer	3,161
DFS	3,049
	15,378
Media	
RELX	48,554
ITV	4,093
Daily Mail & General	3,905
	56,552

Strategic Report: Portfolio Information (continued)

	Valuation £'000
CONSUMER SERVICES (continued)	
Travel & Leisure	
Compass	21,741
Carnival	19,135
Greene King	14,847
Whitbread	12,618
Go-Ahead	6,977
National Express	5,901
TUI	5,716
Ten Entertainment	5,493
Cineworld	5,352
Young	4,132
William Hill	1,953
	103,865
Total Consumer Services	**194,984**
TELECOMMUNICATIONS	
Fixed Line Telecommunications	
Verizon Communications[1]	31,417
BT	11,788
	43,205
Mobile Telecommunications	
Vodafone	19,075
Orange[1]	7,651
Deutsche Telekom[1]	6,808
	33,534
Total Telecommunications	**76,739**
UTILITIES	
Electricity	
SSE	13,464
	13,464
Gas, Water & Multiutilities	
National Grid	22,567
Severn Trent	13,312
United Utilities	6,654
	42,533
Total Utilities	**55,997**
FINANCIALS	
Banks	
HSBC	76,857
Lloyds Banking	50,931
Barclays	17,976
Nationwide Building Society 10.25% Var Perp CCDS	9,813
	155,577

	Valuation £'000
FINANCIALS (continued)	
Financial Services	
Schroders	24,550
Brewin Dolphin	11,619
TP ICAP	5,736
IG	4,907
	46,812
Life Insurance	
Prudential	51,547
Phoenix	30,767
St James's Place	28,877
Aviva	5,415
	116,606
Non-life Insurance	
Hiscox	19,145
Direct Line Insurance	14,084
Munich Re[1]	9,113
Sabre Insurance	8,277
	50,619
Real Estate Investment Trusts	
Land Securities	24,996
British Land	14,806
Segro	13,144
Hammerson	3,395
	56,341
Total Financials	**425,955**
TECHNOLOGY	
Software & Computer Services	
Microsoft[1]	12,851
Sage	12,565
	25,416
Total Technology	**25,416**
TOTAL INVESTMENTS	**1,721,550**

[1] Overseas listed

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

Strategic Report: Directors and Fund Manager

Directors

The Directors appointed to the Board at the date of this 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 is the Senior Independent Director of Prudential plc, a non-executive Director of Severn Trent plc and a Deputy Chairman of the Takeover Panel. He 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. More recently, he has been Chairman of M&G Group Limited and Senior Independent Director of UK Financial Investments Limited.

Simon Barratt

Position: Senior Independent Director ("SID")
Date of Appointment: 1 October 2010 (SID on 27 October 2016)
Simon was Chairman of Costa China Brand Office until 2017. He was previously General Counsel and Company Secretary at Whitbread PLC having joined in 1991. During that time he 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.

Robert Holmes (Ted)

Position: Director
Date of Appointment: 1 January 2018
Ted joined the Board following a twenty year career at UBS Asset Management. During that time he worked as a Managing Director in both the Chicago office (previously Brinson Partners) and London office (previously Phillips and Drew) in a variety of positions, from analyst to European Head of Equities. Prior to UBS, he worked for Ernst & Young where he earned his Certified Public Accountant license. He has an MBA from the University of Chicago Booth School of Business.

Martin Morgan

Position: Director
Date of Appointment: 1 March 2012
Martin is Chairman of Wilmington plc and Signal Media. He was Chief Executive of Daily Mail and General Trust plc until May 2016, having joined the Group in 1989. He was previously Chief Executive of dmg information and also a non-executive Director of Euromoney Institutional Investor plc.

Samantha Wren

Position: Chair of the Audit Committee
Date of Appointment: 1 September 2015
(Chair of the Audit Committee on 7 July 2016)
Samantha is Chief Executive of IPGL Limited, a privately-owned investment company and a non-executive Director of Chapel Down Group plc. She was the Group Chief Finance Officer and Chief Operating Officer of NEX Group plc, having previously held senior finance roles at its predecessor company, ICAP plc. Prior to ICAP plc, she held several senior finance roles at the gaming group, The Rank Group plc, where she was also a Director of the Rank Pension Plan Trustee Limited. She qualified as a Chartered Management Accountant at Rentokil Initial plc.

Fund Manager

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 Group plc in 1992 and Job is currently a member of Janus Henderson's Global Equity Income team.

Job is assisted in the management of the portfolio by David Smith who joined in 2002 and Laura Foll who joined in 2009.

All Directors are independent of Janus Henderson.
All Directors are members of the Nominations Committee.
The Audit Committee consists of Samantha Wren, Simon Barratt and Ted Holmes.

Strategic Report: Corporate Information

Registered Office
201 Bishopsgate
London EC2M 3AE

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
Email: support@janushenderson.com

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

UK

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

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 889 3296

New Zealand

Stockbrokers
Craigs Investment Partners
PO Box 13155
Tauranga 3141
New Zealand

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

Independent Auditors
PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Information Sources
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 Janus Henderson that offers 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 Janus Henderson's investment expertise.

Scan the QR code or use this short URL to register for HGi.
http://HGi.co/rb

Follow the Janus Henderson Investment Trusts on Twitter, YouTube and Facebook.

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 03457 22 55 25, email **Henderson@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**.

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.

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.

Strategic Report: Business Model

Our strategy

The Company's purpose is to deliver growth in income and capital to shareholders by investing in equities listed on the London Stock Exchange. We fulfil this purpose by operating as an investment company enabling us to delegate operational matters to specialised third-party service providers. Their performance is monitored and challenged by a board of directors ("the Board") who retain oversight of the Company's operations.

The framework of delegation provides a cost-effective mechanism for delivering operations whilst allowing the Company to take advantage of the capital gains treatment afforded to investment trusts which are approved under s.1158/9 the Corporation Tax Act 2010 ("s.1158/9"). The closed-ended nature of the Company enables the Fund Manager to take a longer term view on investments and supports a fully invested portfolio as the Company has no redemptions to meet. A significant advantage over other investment fund structures is the ability to use leverage to increase returns for shareholders.

The Board is comprised entirely of non-executive Directors accountable to shareholders, who have the ability to remove a Director from office where they deem it to be in the interests of the Company.

The Company's 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 s.1158/9 of the Corporation Tax Act 2010 as amended. The Directors are of the opinion that the Company has conducted its affairs in compliance with s.1158/9 since approval was granted and intends to continue to do so.

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority ("FCA"). The Company is also listed on the Main Board of the New Zealand Stock Exchange and is subject to the NZX Listing Rules. The Company is a member of the Association of Investment Companies ("AIC").

The Company, and the Board, is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

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 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 the Manager's investment activity. The Manager 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.

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.

Investment approach

Our Fund Manager, Job Curtis, has managed the Company's portfolio since 1 July 1991. He is a member of Janus Henderson's Global Equity Income team and is assisted by David Smith and Laura Foll. He manages the portfolio in a conservative way, focusing on companies with cash generative businesses able to grow their dividends with attractive yields. The portfolio is well diversified with some 66% 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.

The Fund Manager is committed to maintaining a diversified portfolio and has structured the portfolio so that shareholders stand to gain in the short term through quarterly dividends, while long-term capital appreciation is central to stock-picking decisions with a view to matching shareholders' investment horizons.

Strategic Report: Business Model (continued)

Liquidity and discount management

Our 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 meaningfully over the longer term is, of course, limited. However, the Board intends, subject always to the overall impact on the portfolio, the pricing of other investment companies and overall market conditions, to consider issuance and buybacks within a narrow band relative to net asset value. We believe that flexibility is important and that it is not in shareholders' interests to have a specific issuance and buyback policy.

Promoting the Company's success

The Directors' overarching duty is to promote the success of the Company for the benefit of investors, with consideration of stakeholders' interests, as set out in section 172 of the Act. The Board regards a well governed business as essential for the successful delivery of its investment proposition.

To this end, the Board engages reputable third-party suppliers with established track records to deliver day-to-day operations. The most important of these is the Manager; and in particular the Fund Manager, who is responsible for the management of the Company's assets in line with the investment objective. The Board maintains a close working relationship with the Manager and holds it to account for the smooth running of the Company's day-to-day business. The Board retains responsibility for decisions over corporate strategy, corporate governance, risk and internal control assessment, determining the overall limits and restrictions for the portfolio and in respect of gearing and asset allocation, investment performance monitoring and setting marketing budgets.

The Fund Manager promotes the Company with the support of the Manager's dedicated investment trust sales team and the Board makes additional spend available to support marketing activities aimed at raising the profile of the Company among retail investors in the UK.

To ensure the chosen service providers continue to deliver the expected level of service, the Board receives regular reports from them, evaluates the control environments in place at each service provider and formally assesses their appointment annually. By doing so the Board seeks to ensure that the key service providers continue to be appropriately remunerated to deliver the level of service that it demands of them.

Managing our risks

The Board, with the assistance of Janus Henderson, has carried out a robust assessment of the principal risks and uncertainties facing the Company that would threaten the business model, future performance, solvency and liquidity. This included consideration of the market uncertainty arising from the United Kingdom's negotiations to leave the European Union ("Brexit").

We regularly consider the principal risks facing the Company and have drawn up a matrix of risks facing the Company. The Board 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 set out in the table below. The Board does not consider these to have changed during the course of the reporting period and up to the date of this report.

Principal risks	Mitigating measure
Portfolio and market price Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on equity shareholders' funds.	The Board reviews the portfolio at the seven Board meetings held each year and receives regular reports from the Company's brokers. A detailed liquidity report is considered on a regular basis. The Fund Manager closely monitors the portfolio between meetings and mitigates this risk through diversification of investments. The Fund Manager periodically presents the Company's investment strategy in respect of current market conditions. Performance relative to other UK equity income trusts, the FTSE All-Share Index and IA UK Equity Income OEICs is also monitored.
Investment activity, gearing and performance An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark.	The Board has an annual meeting focused on strategy at which investment performance, the level of gearing and the level of premium/discount is reviewed. The Board also reviews a schedule of expenses and revenue forecasts at each meeting.

Strategic Report: Business Model (continued)

Principal risks	Mitigating measure
Tax and regulatory A breach of s.1158/9 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Company must also ensure compliance with the Listing Rules of the New Zealand Stock Exchange.	The Manager provides investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by the Manager on a quarterly basis, which confirm legal and regulatory compliance.
Operational Disruption to, or failure of, the Manager's or its administrator's (BNP Paribas Securities Services) accounting, dealing or payment systems or the depositary's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service.	The Board monitors the services provided by the Manager and its other suppliers and receives reports on the key elements in place to provide effective internal control. During the year the Board reviewed the Manager's approach to cyber risk. The Board considers the loss of the Fund Manager as a risk but this is mitigated by the experience of the team at Janus Henderson as detailed on page 15.

The Company's viability

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

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

- The Board looks to ensure the Company seeks to deliver long-term performance.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested mainly in readily realisable, UK listed securities and that the level of borrowings is restricted.
- The Company is a closed end investment company and therefore does not suffer from the liquidity issues arising from unexpected redemptions.
- The Company has an ongoing charge of 0.39% which is lower than other comparable investment trusts.

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

- The Company retains title to all assets held by the custodian under the terms of formal agreements with the custodian and depositary.
- Long-term borrowing is in place being the 10¼% debenture stock 2020, 8½% debenture stock 2021, 4.53% secured notes 2029 and 2.94% secured notes 2049 which are also subject to formal agreements, including financial covenants with which the Company complied in full during the year. The value of long-term borrowing is relatively small in comparison to the value of net assets, being 7.9%.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board meeting.
- Cash is held with approved banks.

In addition, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's business model, including future performance, liquidity and solvency.

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

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to June 2024.

Fee arrangements with the Manager

The Board 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 July 2014 and can be terminated on six months' notice. Both entities are authorised and regulated by the Financial Conduct Authority, and form part of the Janus Henderson group of companies. References to "Janus Henderson" or the "Manager" refer to the services provided to the Company by the Manager's group.

Strategic Report: Business Model (continued)

For the period 1 July 2018 to 31 December 2018 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. With effect from 1 January 2019 the management fee reduced to 0.325% per annum of net assets under management. Fees are payable quarterly in arrears based on the level of net assets at the relevant quarter end.

Janus 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 the Manager, by BNP Paribas Securities Services. Henderson Secretarial Services Limited acts as the Corporate Secretary.

Borrowings

The Company has a borrowing facility of £120.0m (2018: £120.0m) with HSBC Bank plc, of which £8.2m was drawn at the year end (2018: nil). The Company also has two debentures totalling £40.0m (2018: £40.0m) and £84.4m (2018: £84.3m) of secured notes. The level of gearing at 30 June 2019 was 7.9% of net asset value (2018: 7.7%).

Measuring our performance

In order to measure the success of the Company in meeting its objective and to evaluate the performance of the Manager, the Directors take into account the following Key Performance Indicators ("KPIs"):

KPI	Action
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's performance was consistent with that of the peer group.
Performance against the OEIC sector	The Board considers the performance of the portfolio against the IA UK Equity Income OEIC sector. During the year under review the Company outperformed the OEIC sector by 5.3%.
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 2.1% on a total return basis.
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. 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 2019 the Company's shares were trading at a premium of 2.2% to NAV (2018: 1.8% premium) with debt at market value.
Ongoing Charge	The Board regularly reviews the ongoing charges and monitors Company expenses. For the year ended 30 June 2019 the ongoing charge as a percentage of shareholders' funds was 0.39% (2018: 0.41%).

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

Our approach to environmental, social and governance matters

Responsible ownership and the Stewardship Code

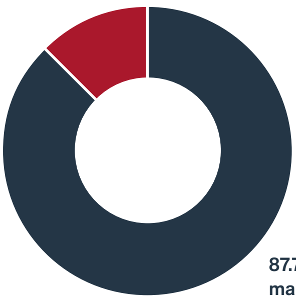
Responsible Investment is the term used to cover the Manager's work on environmental, social and corporate governance ("ESG") issues in the Company's investee companies. Janus Henderson supports the UK Stewardship Code, and seeks to protect and enhance value for our shareholders through active management, integration of ESG factors into investment decision making, voting and company engagement.

The Board believes 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. We have chosen to delegate responsibility to the Manager for voting the rights attached to the shares held in the Company's portfolio as the Manager actively votes at shareholder meetings and engages with companies as part of the voting process.

Strategic Report: Business Model (continued)

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's Responsible Investment Policy ("RI Policy"), which is made publicly available so investee companies have the ability to make themselves aware of our expectations in this respect. In order to retain oversight of the process, we regularly receive reporting on how the Manager has voted the shares held in the Company's portfolio and review, at least annually, the RI Policy, which sets out the Manager's approach to corporate governance, corporate responsibility and Janus Henderson's compliance with the UK Stewardship Code. The RI Policy can be found on the Manager's website at **www.janushenderson.com**.

In the period under review, investee companies held 108 general meetings. The shares held in the Company's portfolio were voted in respect of all of these meetings. The level of governance in leading global companies is generally of a high standard in terms of best practice which meant support in favour of the resolutions proposed by management was warranted. However, in respect of 12.3% of the resolutions proposed, support was not warranted and, following discussion between the Fund Manager and Janus Henderson's governance team, the shares were voted against the passing of the resolution. On occasion, the Fund Manager takes voting decisions after consultation with the Chairman on behalf of the Board.



In terms of the resolutions not supported, these covered two predominant themes relating to the undue dilution of shareholders' interests in the investee company and executive remuneration. The Company's shares in one jurisdiction were instructed as "do not vote" due to operational issues that might have led to a position where the Fund Manager was unable to transact in the shares once they had been voted until after the relevant meeting.

The environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Business ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the **UK Modern Slavery Act 2015** and maintain adequate safeguards in keeping with the provisions of the **Bribery Act 2010** and **Criminal Finances Act 2017**.

Communicating with our shareholders

The Board is committed to maintaining open channels of communication with shareholders in a manner which they find most meaningful. Unlike trading companies, we appreciate that this often takes the form of meeting with the Fund Manager rather than members of the Board. Shareholders are able to meet with the Fund Manager throughout the year and the Manager provides information on the Company and videos of the Fund Manager on the Company's website, via various social medial channels and through its HGi platform. Feedback from all meetings between the Fund Manager and shareholders is shared with the Board. The Chairman and Senior Independent Director, or other members of the Board, are available to meet with shareholders where they wish to do so.

The annual report and half-year update are circulated to shareholders wishing to receive them and made available on the Company's website. These provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly fact sheet which is available on the website. The Fund Manager provides presentations to shareholders and analysts following the publication of the annual financial results.

The Fund Manager attends the annual general meeting and provides a presentation on the Company's performance and the future outlook. We encourage shareholders to attend and participate in the annual general meeting, which is available to watch live by visiting www.janushenderson.com/trustslive. Shareholders have the opportunity to address questions to the Chairman of the Board, the Fund Manager and all Directors.

In the event shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office. The Senior Independent Director is also available to shareholders if they have concerns that have not been addressed through the normal channels.

Board diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Nominations Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. 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 based on objective criteria and merit.

At the date of this report, the Board is comprised of five Directors, four male and one female. Following the appointment of Clare Wardle on 1 November 2019, the Board will comprise four male and two female Directors. 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
19 September 2019

Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

Agreed by the European Parliament and the Council of the European Union and transposed 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 Directors retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Alternative Performance Measures

A glossary of alternative performance measures can be found on pages 64 and 65.

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

From 22 July 2014 all AIFs 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 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. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

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.

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.

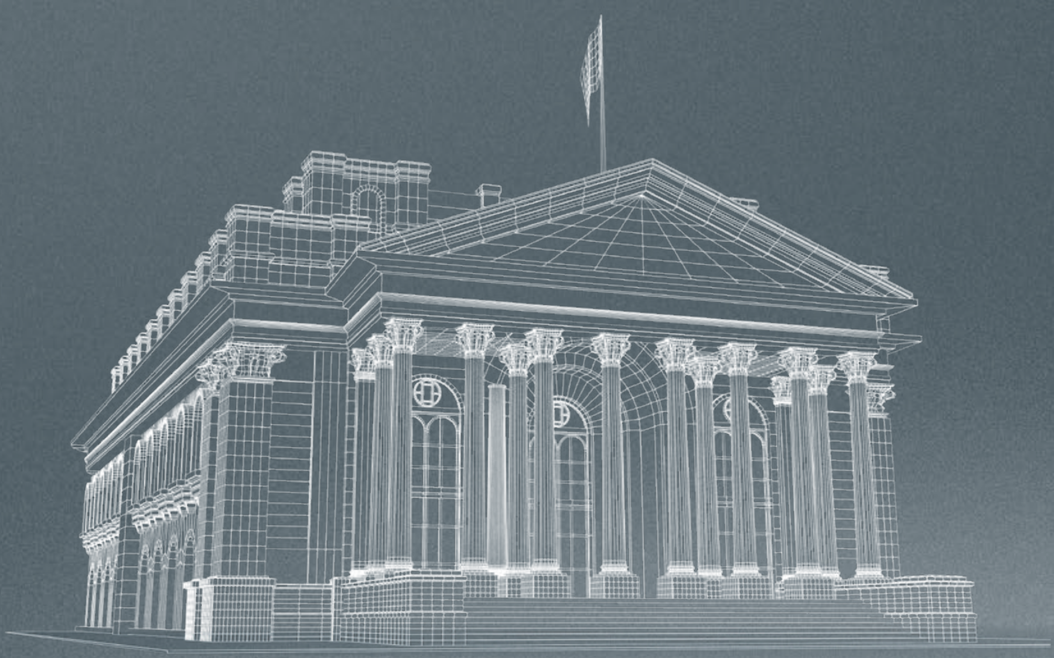
Liquidity

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.

Market Capitalisation

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

Corporate Report



Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 June 2019.

The Corporate Governance Statement, Audit Committee Report, the Investment Portfolio, Securities Financing Transactions, Alternative Performance Measures and General Shareholder information on pages 29 to 35 and 61 to 67 form part of the Directors' Report.

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 354,409,868 ordinary shares in issue. During the year, 24,425,000 shares (representing 6.9% of the number of shares in issue at the beginning of the year) were issued to Cenkos Securities plc at a price range of 378.0p – 435.5p for total proceeds (net of commissions) of £99,116,000. At 30 June 2019 the number of ordinary shares in issue (with voting rights) was 378,834,868.

Since 30 June 2019 and up to 18 September 2019, being the last practicable date prior to publication of the Annual Report, a further 2,500,000 ordinary shares have been issued for a total consideration of £10.3m. The number of ordinary shares in issue at the date of this report is 381,334,868.

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 2018 and at 30 June 2019 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 2018 and at 30 June 2019 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 2018 and at 30 June 2019 there was £589,672 of preferred ordinary stock in issue.

Further details on the first and second preference stock and the preferred ordinary stock are contained in note 15 on pages 53 and 54.

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 buyback, for cancellation or to be held in treasury, the Company's ordinary shares. In addition, the Directors seek annual authority to buyback and cancel the Company's preferred and preference stocks.

At the annual general meeting held on 1 November 2018 the Directors were granted authority to allot up to 35,885,987 ordinary shares (with an aggregate nominal amount of £8,971,496) and to repurchase 53,793,094 ordinary shares (with a nominal value of £13,448,274) for cancellation or to be held in treasury. During the year and up to the date of this report, the Directors have not bought back any ordinary shares or the preferred or preference stock.

The Directors will once again be seeking to renew the authorities to allot and repurchase the ordinary shares at the upcoming annual general meeting when the existing authorities expire. The Directors believe that, from time to time and subject to market conditions, it continues to be in the shareholders' interests to buyback 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. Authority will also be sought to renew the current authorities, which expire at the upcoming annual general meeting, to repurchase the preferred and preference stock.

Holdings in the Company's Shares

There are no declarations of interests in the voting rights of the Company as at 30 June 2019 in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

No changes have been notified in the period 1 July 2019 to 19 September 2019.

Fund Manager's Interests

Job Curtis, the Fund Manager, has a beneficial interest in 225,298 and a non-beneficial interest in 17,027 shares.

Related Party Transactions

The Company's transactions with related parties in the year were with the Directors and the Manager. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 28.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the provision of marketing services, there have been no material transactions with the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in note 23 on page 60.

Annual General Meeting

The annual general meeting will be held on 24 October 2019 at 2.30 pm at the Company's registered office. The Notice of Meeting and details of the resolutions to be put to shareholders at the annual general meeting are contained in the separate circular being sent to shareholders with this report.

Directors' Report (continued)

Shareholders are encouraged to attend the annual general meeting or, if they are unable to do so, to vote their shares by completing the Form of Proxy. Shareholders with shares held in their own names will receive a Form of Proxy enabling them to vote. Shareholders holding shares on share dealing platforms should contact their platform directly to vote their shares for the upcoming annual general meeting.

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 or her 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 or she 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.

Listing Rule 9.8.4

Listing Rule ("LR") 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information of which is detailed on page 24 under Share Capital.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
19 September 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland", and applicable law). 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 position and performance, business model and strategy.

Directors' responsibility statement

Each of the Directors, who are listed on page 15, confirms that, to the best of his or her knowledge:

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

For and on behalf of the Board

Philip Remnant CBE
Chairman
19 September 2019

The financial statements are published on the website **www.cityinvestmenttrust.com**.

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

The maintenance and integrity of the website is the responsibility of Janus 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 Annual Report since it was initially presented on the website.

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy ("the Policy") sets out the principles applied in the remuneration of the Company's Directors. The Policy was last approved by shareholders at the annual general meeting on 31 October 2017.

The Company's approach is that fees should:

- reflect the time spent on the Company's affairs;
- reflect the responsibilities borne by the Directors; and
- be sufficient to promote the long-term success of the Company.

Directors are remunerated in the form of fees payable, to the Director personally, quarterly in arrears.

The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as is the Senior Independent Director and Chair of the Audit Committee. The Directors may be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties. The level of fees paid to each Director is reviewed annually, although such a review may not necessarily result in any change to the rates. The level of fees paid to the directors of other investment companies of a similar size and nature is taken into account when carrying out the review. The Board may amend the level of remuneration paid to individual Directors within the parameters of the Policy.

No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

The Policy, irrespective of any changes, is put to shareholders at intervals of not more than three years with the next approval due to be sought at the annual general meeting in 2020.

Letters of Appointment

All Directors are non-executive and are appointed under a Letter of Appointment. 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.

Recruitment principles

All Directors, including any new appointments to the Board, are paid at the same rate. The Chairman of the Board, Senior Independent Director and Chair of the Audit Committee are paid higher fees in recognition of their additional responsibilities.

Annual Report on Remuneration

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.

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.

Statement from the Chairman

As the Company has no employees and the Board is comprised of entirely non-executive Directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole within the parameters approved by shareholders.

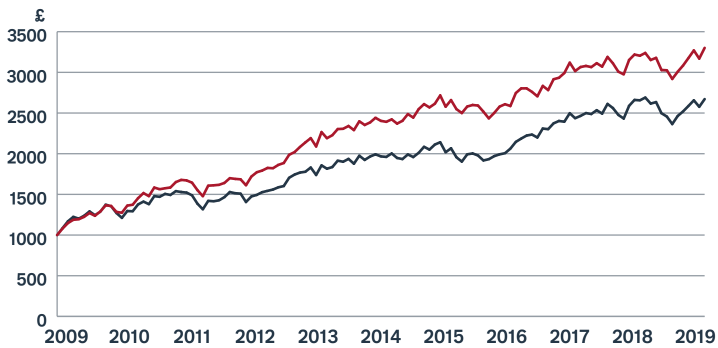
Following consideration of the fees paid by other investment companies in the peer group, the fees paid in other sectors and by the Janus Henderson managed investment trusts, the Directors' fees were increased with effect from 1 January 2019. The increases were to ensure that the Directors are properly 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.

For the first time this year, the Board determined that it was appropriate to pay an additional fee to the Senior Independent Director. The total fee was agreed at £32,000 per annum, effective from 1 January 2019.

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.

Total return performance over the ten year period to 30 June 2019



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)

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)

Sources: Morningstar for the AIC and Datastream

Directors' Remuneration Report (continued)

Directors' Remuneration (audited)

The remuneration paid to the Directors who served during the years ended 30 June 2019 and 30 June 2018 was as follows:

	Year ended 30 June 2019 Total salary and fees £	Year ended 30 June 2018 Total salary and fees £	Year ended 30 June 2019 Total expenses and taxable benefits £	Year ended 30 June 2018 Total expenses and taxable benefits £	Year ended 30 June 2019 Total £	Year ended 30 June 2018 Total £
Simon Barratt[3]	30,150	27,950	–	–	30,150	27,950
David Brief[4]	–	21,264	–	355	–	21,619
Ted Holmes[5]	28,700	14,150	–	827	28,700	14,977
Martin Morgan	28,700	27,950	–	–	28,700	27,950
Philip Remnant[1]	45,800	44,550	–	–	45,800	44,550
Samantha Wren[2]	34,313	33,412	–	–	34,313	33,412
Total	**167,663**	**169,276**	**–**	**1,182**	**167,663**	**170,458**

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 Chair of the Audit Committee, 3 Senior Independent Director, 4 Ceased to be a Director on 5 April 2018, 5 Appointed a Director on 1 January 2018

From 1 January 2019 the fees increased as follows (previous rates are shown in brackets): Chairman £46,500 (£45,100) per annum, Chair of the Audit Committee £34,800 (£33,825) per annum and other Directors £29,100 (£28,300) per annum. For the first time this year the Board determined that it was appropriate to pay an additional fee to the Senior Independent Director. The total fee was agreed at £32,000 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.

Directors' interests in shares (audited)

	Ordinary shares of 25p	
Beneficial:	**30 June 2019**	**1 July 2018**
Simon Barratt	21,627	21,627
Ted Holmes	5,000	0
Martin Morgan	23,900	23,900
Philip Remnant	73,210	73,210
Samantha Wren	8,912	4,000

The interests 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 2019 to the date of this report. No Director has any interests in the preference or preferred stock of the Company.

The Company does not have a share holding requirement for Directors.

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.

	2019 £	2018 £	Change £	Change %
Total remuneration	167,663	170,458	(2,795)	(1.7)
Ordinary dividends paid	66,899,153	60,286,222	6,612,931	11.0

Statement of voting at annual general meetings

A binding ordinary resolution adopting the Remuneration Policy was approved at the annual general meeting held on 31 October 2017. The votes cast by proxy in favour of the resolution were 3,820,918 (98.6%), votes cast against the resolution were 25,816 (0.7%) and 27,875 (0.7%) were placed at the discretion of the Chairman of the meeting or other proxy to vote. A total of 14,758 votes were withheld.

An ordinary resolution adopting the Annual Report on Directors' Remuneration was approved at the annual general meeting held on 1 November 2018. The votes cast by proxy in favour of the resolution were 3,909,823 (98.6%), votes cast against the resolution were 27,886 (0.7%) and 32,779 (0.8%) were placed at the discretion of the Chairman of the meeting or other proxy to vote. A total of 17,042 votes were withheld.

The percentage of votes in favour, against and discretionary excludes the number of votes withheld.

For and on behalf of the Board

Philip Remnant CBE
Chairman
19 September 2019

Corporate Governance Statement

Applicable Corporate Governance Codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code ("UK Code") have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in July 2016 ("AIC Code"). The AIC Code addresses the principles set out in the UK Code as well as additional principles and recommendations on issues that are of specific relevance to investment companies. The Financial Reporting Council ("FRC") has endorsed the AIC Code and confirmed that, by following it, the boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The FRC published an updated UK Code in July 2018, which was followed by the publication of an updated AIC Code in February 2019. The 2019 AIC Code continues to be endorsed by the FRC and is applicable to financial reporting periods commencing on or after 1 January 2019.

The Company also maintains a listing on the New Zealand Stock Exchange ("NZX") where it is classified as a Foreign Exempt Issuer. The Listing Rules of the NZX therefore require the Company to comply with the provisions applicable to its Home Exchange, being the London Stock Exchange, at all times, notifying the NZX of any changes pertinent to the listing on the Home Exchange and ensuring that any announcements made to the Home Exchange are simultaneously released to the market in New Zealand. Accordingly, the Company reports against its compliance with the AIC Code, rather than the NZX Corporate Governance Code.

Copies of the AIC Code and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**. The AIC Code includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of Compliance

The Board has considered the principles and provisions of the AIC Code, which address those set out in the UK Code, as well as additional provisions that are of specific relevance to investment companies. The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to the Company's shareholders in terms of its governance arrangements.

The Company has complied with the principles and provisions of the AIC Code throughout the period. Given the entirely non-executive nature of the board of directors of investment companies, the AIC Code includes two deviations from the UK Code permitting the Chairman of the Board to be a member of the Audit Committee and for his or her tenure to exceed nine years. The Company has not taken advantage of these provisions and continues to comply with the provisions of the UK Code in this respect.

The Company has no chief executive or other executive directors and therefore has no need to consider the remuneration of executive directors. In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function. However, the Audit Committee considers the need for such a function at least annually (see page 32 for further information).

The Board

Role of the Board

The Board is responsible for providing leadership, setting the investment objective and policy, appointing the Company's third-party service providers, establishing a robust internal control and risk management system and monitoring the performance delivered by service providers within the established control framework.

The Board meets formally at least seven times a year, with additional Board or committee meetings arranged when required. The Directors have regular contact with the Manager between meetings. The Board has a formal schedule of matters specifically reserved for its decision, which include 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.

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 the Manager has discretion to act. The Board has responsibility for the approval of any investments in in-house funds managed or advised by the Manager. 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 engaged third-party service providers to deliver the operations of the Company. Management of the investment portfolio has been delegated contractually to Janus Henderson, which also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a depositary who in turn appoints the custodian who is responsible for the safe custody of the Company's assets. The Company has appointed a registrar to maintain the Register of Members and assist shareholders with queries in respect of their holdings. Each of these principal contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board and its committees maintain oversight of the third-party service providers through regular and ad hoc reporting.

Corporate Governance Statement (continued)

The Board receives and considers regular reports from the Manager 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 Janus Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager 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 the Manager operate in a supportive, co-operative and open environment.

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities, particularly when dealing with any conflicts or issues between the Company and Janus Henderson. Any correspondence from shareholders addressed to the Chairman or the Company received at Janus Henderson's offices is forwarded to the Chairman of the Company in line with the audited procedures in place. Any correspondence is submitted to the next Board meeting.

Janus Henderson and BNP Paribas Securities Services, which acts for Janus 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.

Committees of the Board

The Board has two principal Committees: the Audit Committee and the Nominations Committee. The terms of reference for these committees are available on the Company's website. The Company has also constituted an Insider Committee to assist the Board in meeting its obligations under the Market Abuse Regulation.

Audit Committee

The Audit Committee is responsible for ensuring the integrity of the Company's financial reporting, evaluating the effectiveness of the systems of internal control and risk management and monitoring the effectiveness and objectivity of the external auditor.

The Audit Committee Report can be found on pages 34 and 35.

Nominations Committee

The Committee advises the Board on the composition of the Board and its committees, in making appointments to the Board and ensuring suitable succession plans are in place for the Directors and Fund Manager.

Membership

All Directors are members of the Committee. The Chairman of the Board is the Chairman of the Committee but would not chair meetings when the Committee is considering appointments for his successor.

Meetings

The Committee met once during the year and on a further occasion in the period up to the date of this report to consider the appointment of Clare Wardle. The Committee has not engaged any service providers to provide advice to the Company during the period. Lintstock Limited was appointed to facilitate the annual Board effectiveness evaluation and Cornforth Consulting were engaged to assist the Committee in the search for potential candidates for appointment to the Board. Neither entity undertakes any other services for the Company.

Role and responsibilities

In discharging its duties over the course of the period, the Committee considered:

- the composition of the Board and each of its committees, taking account of the skills, experience and knowledge of each Director and whether the diversity of these continued to contribute to the success of the Company;
- the outcomes of the Board performance evaluation with a view as to whether adjustments should be made to the number of Directors or knowledge and skills represented on the Board;
- the tenure of each of the Directors, giving consideration as to whether the Board retained a sufficient balance of length of service without becoming complacent;
- the independence of the Directors taking account of the guidelines established by the AIC Code as well as the directors' other appointments;
- the time commitment of the Directors and whether this had been sufficient over the course of the period;
- succession planning for appointments to the Board taking account of the provisions of the Articles regarding the retirement and rotation of Directors, as well as the tenure of the current Directors;
- arrangements in place at the Manager in terms of a short term incapacity of the Fund Manager and succession planning for the Fund Manager over the longer term; and
- the performance and contribution of all Directors standing for re-election at the 2019 Annual General Meeting.

Appointment of Director

As part of the Board's usual refreshment, the search for a new Director was commenced during the year. The Committee considered the skills currently represented on the Board and prepared a role description for the recruitment of a non-executive Director. Following a review of specialist recruitment agencies, Cornforth Consulting ("Cornforth") were appointed to assist the Committee in the search. No open advertising was used as the Committee believes that targeted recruitment is the optimal way of recruiting. Cornforth do not undertake any other services for the Company.

Corporate Governance Statement (continued)

A long-list of candidates was prepared by Cornforth and discussed with the Committee. The preferred candidates were invited for interviews with the Chairman and two other Directors. Candidates were evaluated based on merit, business experience paying attention to the skills that the Committee wished to retain on the Board, and cognitive and personal strengths. The candidates' other commitments were also considered as part of the process.

Following the conclusion of the process the Committee was pleased to recommend the appointment of Clare Wardle to the Board. The announcement of her appointment was made on 13 September 2019 and she will take up the post on 1 November 2019.

Performance evaluation

Each year, the Committee assesses the composition of the Board and its performance, including that of individual Directors. Every three years an external review is conducted and this year the evaluation was carried out by Lintstock on our behalf.

The areas considered included the Board composition and dynamics, the management of meetings and support from the Manager in this respect, the appropriateness of the investment strategy and performance, the quality of the Board's understanding of shareholders' views and the Manager's sales and marketing activities, succession planning and priorities for change.

Following completion of the review, the Committee concluded that the Board remained highly effective, with a very good range of skills represented on the Board and a clear understanding of the risks facing the Company.

The Senior Independent Director carried out the performance evaluation of the Chairman, assisted by Lintstock. An update was provided to the Committee and feedback given directly to the Chairman.

Arrangements with 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. All served throughout the year under review. The biographies of the Directors holding office at the date of this report, which are set out on page 15, 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 annual general meeting following appointment, in accordance with the Articles of Association.

All Directors are appointed for an initial term of three years.

In keeping with the provisions of the AIC Code, all Directors will retire at the upcoming annual general meeting 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 or her term by passing an ordinary resolution at a general meeting.

Directors' tenure

The Board's policy for Directors, including the Chairman, is that they serve for no more than nine years, other than in exceptional circumstances.

As set out in the Chairman's Statement, Philip Remnant and Simon Barratt have indicated their intention to retire from the Board over the course of the coming year.

Directors' independence

The independence of the Directors is determined with reference to the AIC Code. The Nominations Committee considers the independence of each Director at least annually by reviewing the Directors' other appointments and commitments, as well as their tenure of service and any connection they may have with the Manager.

There were no contracts subsisting during or at the end of the year in which any Director is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Following evaluation, the Nominations Committee determined that all Directors continued to be independent in character and judgement and that their individual skills, broad business experience and knowledge and understanding of the Company were of benefit to shareholders.

Directors' professional development

Newly appointed Directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment companies and the operations of the Manager, including the compliance and risk management frameworks, accounting, sales and marketing, and other administration services provided by the Manager.

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 and may do so at the expense of the Company.

Directors' individual training requirements are considered as part of the annual evaluation process which is led by the Chairman of the Board.

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

Corporate Governance Statement (continued)

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 continue to operate effectively.

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.

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 2018 Annual General Meeting.

	Board	Audit Committee	Nominations Committee
Number of meetings	**7**	**2**	**1**
Simon Barratt	7/7	2/2	1/1
Ted Holmes	7/7	2/2	1/1
Martin Morgan	6/7	n/a	1/1
Philip Remnant	7/7	n/a	1/1
Samantha Wren	7/7	2/2	1/1

Key responsibilities of the Board

Internal control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Audit Committee supports the Board in the continuous monitoring of the internal control and risk management framework.

The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the period and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;

- regular reporting which allow the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;

- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis through reporting to the Board and conducts a formal evaluation of the overall level of service provided at least annually;

- the review of controls at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and depositary, reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and

- review of additional reporting provided by:

  – the Manager's Enterprise Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third-party service providers used by the Company; and

  – the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has reviewed the Company's system of internal controls for the year ended 30 June 2019. During the course of its review the Board has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as significant.

Internal Audit function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable.

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the Manager, Janus Henderson. The Board places reliance on the Company's framework of internal control and the Audit Committee's view on reporting received from specific second and third line of defence teams at the Manager.

The Manager's Enterprise Risk team support the Audit Committee in considering the independently audited reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit department provides regular reporting to the Board on the operations at the Manager and

Corporate Governance Statement (continued)

presents at least annually to the Audit Committee. The Board has therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

Continued appointment of the Manager

Given the business model operated by the Company and the importance of the role of the Manager in ensuring the success of the Company, the Board believes that it remains its responsibility to keep under review the level of service provided by the Manager. Accordingly a separate Management Engagement Committee has not been formed.

The Board monitors investment performance at each meeting, receives updates in respect of professional sales and marketing activities carried out by the Manager for the Company twice annually and receives a formal recommendation from the Nominations Committee in respect of the continued appropriateness of the terms of the management agreement at least annually.

The assessment of the Manager was externally facilitated by Lintstock through the use of a questionnaire. The evaluation included consideration of the quality of the team involved in all aspects of servicing the Company, including company secretarial, administration, sales and marketing, the Manager's use of gearing and management of the portfolio's risk profile, the stability of the Management group and the priorities for change.

Following completion of the review, the Board believes that the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole.

Henderson Secretarial Services Limited
Corporate Secretary
19 September 2019

Audit Committee Report

The Audit Committee is responsible for ensuring the integrity of the Company's financial reporting, evaluating the effectiveness of the systems of internal control and risk management and monitoring the effectiveness and objectivity of the external auditor.

Membership

The members of the Committee are Samantha Wren, Simon Barratt and Ted Holmes. The Committee is chaired by Samantha Wren, who is considered by the Board to have recent and relevant financial experience.

Meetings

The Committee usually meets three times a year. The Company's auditors, the Fund Manager and the Manager's Financial Reporting Manager for Investment Trusts are invited to attend meetings of the Committee on a regular basis. Other representatives of the Manager and BNP Paribas Securities Services may also be invited to attend if deemed necessary by the Committee.

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 reports to the Board. The Committee's responsibilities are set out in formal terms of reference which are reviewed at least annually.

In discharging its duties over the course of the year, the Committee considered:

- the appropriateness of the Company's accounting policies and of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company;
- the half-year results and the annual report, including the disclosures made therein in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the Board;
- the appointment and evaluation of the effectiveness and objectivity of the auditors;
- the nature, scope and cost of the external audit and reviewing the auditors' findings in this respect;
- reports on the effectiveness of the internal controls in place at Janus Henderson and the Company's other principal third-party service providers;
- the need for an internal audit function in order to make a recommendation to the Board;
- the whistle blowing arrangements in place at the Manager for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence and whether this includes the necessary arrangements for independent investigation and follow up action;
- the Manager's policies in relation to cyber risk and business continuity, meeting with representatives of Janus Henderson's internal audit and risk departments periodically;
- the Company's anti-bribery policy, approach to tax evasion and the confirmation received from third-party service providers as to whether they have appropriate procedures in place in this respect;
- the annual confirmation from the Company's depositary in respect of the safe-keeping of the Company's assets;
- the key risks facing the Company, the risk management systems in place and the Company's risk map.

Appointment and tenure of the auditors

Regulations currently in force require the Company to rotate audit firms after a period of ten years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Committee last carried out an audit tender process during the year ended 30 June 2014 and invited the incumbent auditor at the time, PricewaterhouseCoopers LLP ("PwC"), to participate. The tender was conducted on an integrated basis with the Manager and, following consideration of the tenders received, the Board decided to recommend the reappointment of PwC to shareholders at the 2014 Annual General Meeting, in respect of the year ending 30 June 2015.

PwC were initially appointed as auditors in 2009 and this is the first year the current audit partner, Allan McGrath, has been in place. Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the auditors, the Committee envisages carrying out an audit tender process to ensure a new auditor is in place for the year ending 30 June 2025 at the latest.

Auditors' independence

The Committee monitors the auditors' independence through three aspects of its work: the approval of a policy regulating the non-audit services that may be provided by the auditors to the Company; assessing the appropriateness of the fees paid to the auditors for all work undertaken by them and by reviewing the information and assurances provided by the auditors on their compliance with the relevant ethical standards.

PwC confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

Policy on non-audit services

The Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the auditors. The policy sets out that the Company's auditors will not be considered for non-audit work where this is prohibited by the current regulations and where it appears to affect their independence and objectivity. In addition, the provision of any non-audit services by the auditors is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies. Such services require approval in advance by the Audit Committee, or Audit Committee Chairman, following due consideration of the proposed services.

Audit Committee Report (continued)

Since the appointment of PwC in 2009, the Company has only engaged them on one occasion to undertake non-audit services.

Audit for the year ended 30 June 2019

The Committee is satisfied that the Annual Report for the year ended 30 June 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In relation to the Annual Report for the year ended 30 June 2019 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	The Directors have appointed the Manager, who outsources some of the administration and accounting services to BNP Paribas Securities Services, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, the Manager has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. Ownership of listed investments are verified by reconciliation to the custodian's records and the Directors have received quarterly reports of the depositary who has responsibility for overseeing the Company's operations, including verification of ownership and valuation.
Recognition of income	Income received, including special dividends, is accounted for in line with the Company's accounting policy (as set out on page 46). Special dividends, and their treatment as revenue or capital, have been reviewed by the Committee and agreed.

Effectiveness of the external audit

The Committee's process for evaluating the effectiveness of the external audit comprises two components: consideration is given to the findings of the FRC's Audit Quality Inspection Report and a post-audit assessment is carried out led by the Committee Chairman.

The auditors are able to present and discuss the findings of the latest Audit Quality Inspection Report and report on the progress made by the firm in terms of addressing the areas identified for improvement in the prior year's report. In assessing the effectiveness of the audit process, the Committee Chairman invites views from the Directors, Fund Manager and other members of the Manager's staff in assessing the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting to the Committee.

Following completion of the assessment, the Committee remained satisfied with the effectiveness of the audit provided by PwC and therefore recommended to the Board their continuing appointment. The auditors have indicated their willingness to continue in office. Accordingly, resolutions reappointing PwC as auditors to the Company and authorising the Committee to determine their remuneration will be proposed at the upcoming annual general meeting.

Samantha Wren
Chair of the Audit Committee
19 September 2019

Independent Auditors' Report to the Members of The City of London Investment Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, The City of London Investment Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 30 June 2019; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 July 2018 to 30 June 2019.

Our audit approach

Overview

- Overall materiality: £15.9 million (2018: £15.2 million), based on 1% of Net assets.

- The Company is a standalone Investment Trust Company and engages Henderson Investment Funds Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from BNP Paribas Securities Services (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

- Valuation and existence of investments.
- Dividend income.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, or example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 17 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Listing Rules and the AIC SORP 2014. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the controls implemented by the Company and the Administrator designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010 in the current year;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or round sum amounts;
- Review of financial statement disclosures to underlying supporting documentation.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments Refer to page 35 (Audit Committee Report), page 45 (Accounting Policies) and page 48 (Notes to the Financial Statements). The investment portfolio at the year-end principally comprised listed equity investments valued at £1,722 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third-party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested existence by agreeing the listed equity investments to an independent custodian confirmation from HSBC Bank plc. No differences were identified which required reporting to those charged with governance.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

Key audit matter	How our audit addressed the key audit matter
Dividend income Refer to page 35 (Audit Committee Report), page 46 (Accounting Policies) and page 48 (Notes to the Financial Statements). We focused on the accuracy, occurrence and completeness of dividend income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover. We also focused on the accounting policy for income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP") as incorrect application could indicate a misstatement in income recognition.	We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that dividend income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No misstatements were identified which required reporting to those charged with governance. To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market by investment holdings had been recorded. We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings. Our testing did not identify any misstatements which required reporting to those charged with governance. We tested the allocation and presentation of dividend income between the revenue and capital returns columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any misstatements which required reporting to those charged with governance.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records.

We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£15.9 million (2018: £15.2 million).
How we determined it	1% of Net assets
Rationale for benchmark applied	The benchmark used is a generally accepted auditing practice for investment trust audits and is also the primary measure used by the shareholders in assessing the performance of the Company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £797,000 (2018: £760,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 19 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 19 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "UK Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 26, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.

- The section of the Annual Report on pages 34 to 35 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

- The Directors' statement relating to the Company's compliance with the UK Code does not properly disclose a departure from a relevant provision of the UK Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

Other required reporting

Companies Act 2006 exception reporting

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members in 2009 to audit the financial statements for the year ended 30 June 2009 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 30 June 2009 to 30 June 2019.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
19 September 2019

Income Statement

Notes		Year ended 30 June 2019 Revenue return £'000	Year ended 30 June 2019 Capital return £'000	Year ended 30 June 2019 Total return £'000	Year ended 30 June 2018 Revenue return £'000	Year ended 30 June 2018 Capital return £'000	Year ended 30 June 2018 Total return £'000
2	(Losses)/gains on investments held at fair value through profit or loss	–	(21,023)	(21,023)	–	31,889	31,889
3	Income from investments held at fair value through profit or loss	77,438	–	77,438	69,976	–	69,976
4	Other interest receivable and similar income	288	–	288	254	–	254
	Gross revenue and capital (losses)/gains	**77,726**	**(21,023)**	**56,703**	**70,230**	**31,889**	**102,119**
5	Management fee	(1,519)	(3,545)	(5,064)	(1,570)	(3,664)	(5,234)
6	Other administrative expenses	(726)	–	(726)	(708)	–	(708)
	Net return before finance costs and taxation	**75,481**	**(24,568)**	**50,913**	**67,952**	**28,225**	**96,177**
7	Finance costs	(2,277)	(4,946)	(7,223)	(2,037)	(4,385)	(6,422)
	Net return before taxation	**73,204**	**(29,514)**	**43,690**	**65,915**	**23,840**	**89,755**
8	Taxation	(1,181)	–	(1,181)	(1,236)	–	(1,236)
	Net return after taxation	**72,023**	**(29,514)**	**42,509**	**64,679**	**23,840**	**88,519**
9	Return per ordinary share basic and diluted	19.76p	(8.10p)	11.66p	18.69p	6.89p	25.58p

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

The notes on pages 45 to 60 form part of these financial statements.

Statement of Changes in Equity

Notes	Year ended 30 June 2019	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 2018	88,603	520,701	2,707	855,851	53,135	1,520,997
	Net return after taxation	–	–	–	(29,514)	72,023	42,509
17, 18	Issue of 24,425,000 new ordinary shares	6,106	93,010	–	–	–	99,116
10	Dividends paid	–	–	–	–	(66,899)	(66,899)
	At 30 June 2019	**94,709**	**613,711**	**2,707**	**826,337**	**58,259**	**1,595,723**
Notes	**Year ended 30 June 2018**	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	At 1 July 2017	84,853	461,753	2,707	832,011	48,598	1,429,922
	Net return after taxation	–	–	–	23,840	64,679	88,519
17, 18	Issue of 15,000,000 new ordinary shares	3,750	58,948	–	–	–	62,698
10	Dividends paid	–	–	–	–	(60,142)	(60,142)
	At 30 June 2018	**88,603**	**520,701**	**2,707**	**855,851**	**53,135**	**1,520,997**

The notes on pages 45 to 60 form part of these financial statements.

Statement of Financial Position

Notes		30 June 2019 £'000	30 June 2018 £'000
	Fixed assets		
11	**Investments held at fair value through profit or loss**		
	Listed at market value in the United Kingdom	1,556,025	1,454,876
	Listed at market value overseas	165,525	183,031
12	Investment in subsidiary undertakings	347	347
		1,721,897	**1,638,254**
	Current assets		
13	Debtors	14,932	14,493
	Cash at bank	–	68
		14,932	**14,561**
14	**Creditors: amounts falling due within one year**	(25,350)	(6,105)
	Net current (liabilities)/assets	(10,418)	8,456
	Total assets less current liabilities	**1,711,479**	**1,646,710**
15	**Creditors: amounts falling due after more than one year**	(115,756)	(125,713)
	Net assets	**1,595,723**	**1,520,997**
	Capital and reserves		
17	Called up share capital	94,709	88,603
18	Share premium account	613,711	520,701
19	Capital redemption reserve	2,707	2,707
19	Other capital reserves	826,337	855,851
20	Revenue reserve	58,259	53,135
21	**Total shareholders' funds**	**1,595,723**	**1,520,997**
21	Net asset value per ordinary share – basic and diluted	421.22p	429.16p

These financial statements on pages 42 to 60 were approved by the Board of Directors on 19 September 2019 and signed on its behalf by:

Philip Remnant CBE
Chairman

The notes on pages 45 to 60 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

a) Basis of accounting

The Company is a registered investment company as defined in section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 16.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018.

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

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

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

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

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

The Directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

b) Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

c) Valuation of investments held at fair value through profit or loss

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

The only unquoted investments are the Company's subsidiaries which are valued at the net asset value according to their latest financial statements and this is considered to be fair value.

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.

d) Foreign currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional currency and presentational 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 Statement of Financial Position date are translated into sterling at the exchange rates ruling at that date.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

d) Foreign currency (continued)

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

e) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of Directors, the dividend is capital in nature in which case it is taken to the capital return. Special dividends are recognised on an ex-dividend basis and treated as capital or revenue depending on the facts and circumstances of each dividend. 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 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 stock lending accounting policy is set out in note 16.3.

The accounting for option premium income is dealt with on page 47, under 'Derivative financial instruments'.

f) Management and administrative expenses and finance costs

All expenses and finance costs 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 costs (excluding dividends payable on the preference and preferred ordinary stocks) and management fees with the remaining 30% being charged to revenue.

g) 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.

The tax effect of different items of expenditure is allocated between the capital return and revenue return using the Company's effective rate of tax for the year. 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 Statement of Financial Position 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 Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

h) 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 costs, 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.

i) Preference stocks

Under section 22.5 of FRS 102 preference and preferred ordinary stocks are classified as financial liabilities. The dividends associated with the preference and preferred ordinary stocks are charged fully to the Company's revenue return within finance costs.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

j) 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 Statement of Changes in Equity.

k) Issue and repurchase of ordinary shares and associated costs

The proceeds from the share 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 Statement of Changes in Equity. Issue costs incurred in respect of shares sold out of treasury are offset against proceeds received and dealt with in other capital reserves. Share issues and repurchase transactions are accounted for on a trade date basis.

l) Capital and reserves

Called up share capital represents the nominal value of ordinary shares issued.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

The capital redemption reserve represents the nominal value of ordinary shares, preference stock and preferred ordinary shares that have been repurchased and cancelled.

Other capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on revaluation of investments held. The following analyses what is accounted for in each of these components.

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

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

m) Distributable reserves

The Company's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend.

n) 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 Janus 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. No options were transacted during the year nor held at 30 June 2019 (2018: none).

Notes to the Financial Statements (continued)

2 (Losses)/gains on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Gains on the sale of investments based on historical cost	11,157	25,857
Revaluation gains recognised in previous years	(20,759)	(38,061)
Losses on investments sold in the year based on carrying value at the previous statement of financial position date	**(9,602)**	**(12,204)**
Revaluation of investments held at 30 June	(11,416)	44,199
Exchange losses	(5)	(106)
Total (losses)/gains on investments held at fair value through profit or loss	**(21,023)**	**31,889**

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

	2019 £'000	2018 £'000
UK dividends:		
Listed – ordinary dividends	59,566	53,311
Listed – special dividends	3,702	2,559
	63,268	**55,870**
Other dividends:		
Dividend income – overseas investments	11,575	11,670
Dividend income – UK REIT	2,595	2,436
	14,170	**14,106**
	77,438	**69,976**

4 Other interest receivable and similar income

	2019 £'000	2018 £'000
Bank interest	–	3
Underwriting commission (allocated to revenue)[1]	14	41
Stock lending revenue	274	210
	288	**254**

1 During the year the Company was not required to take up shares in respect of its underwriting commitments (2018: none)

At 30 June 2019, the total value of securities on loan by the Company for stock lending purposes was £192,872,000 (2018: £101,360,000). The maximum aggregate value of securities on loan at any one time during the year ended 30 June 2019 was £279,272,000 (2018: £209,315,000). The Company's agent holds collateral at 30 June 2019, with a value of £208,546,000 (2018: £110,896,000) 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 108% (2018:109%) of the market value of any securities on loan.

5 Management fee

	2019			2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Management fee	1,519	3,545	5,064	1,570	3,664	5,234

A summary of the terms of the Management Agreement is given on page 19. Details of apportionment between revenue and capital can be found in note 1 on page 46.

Notes to the Financial Statements (continued)

6 Other administrative expenses

	2019 £'000	2018 £'000
Directors' fees and expenses (see Directors' Remuneration Report on page 28)	168	170
Auditors' remuneration - for statutory audit services	31	30
Marketing	91	97
Bank charges (loan facility fees)	10	10
Annual and Half Year reports	47	53
Registrar's fees	82	85
AIC	22	21
Listing fees	100	91
Advisory and consultancy fees	62	34
Depositary fees	57	62
Other expenses	56	55
	726	**708**

All transactions with Directors are disclosed in the Directors' Remuneration Report and are related party transactions.

7 Finance costs

	2019			2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Interest on debentures and secured notes repayable wholly or partly						
– Within one year	307	718	1,025	–	–	–
– between one and five years	765	1,785	2,550	1,073	2,502	3,575
– after five years	917	2,139	3,056	749	1,748	2,497
Amortisation of secured notes issue costs	13	30	43	12	27	39
Bank overdraft interest	118	274	392	46	108	154
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
	2,277	**4,946**	**7,223**	**2,037**	**4,385**	**6,422**

Details of apportionment between revenue return and capital return can be found in note 1 on page 46.

8 Taxation

Analysis of tax charge for the year

	2019			2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Overseas withholding tax	1,631	–	1,631	1,688	–	1,688
Less: overseas withholding tax recoverable	(450)	–	(450)	(452)	–	(452)
	1,181	**–**	**1,181**	**1,236**	**–**	**1,236**

Notes to the Financial Statements (continued)

8 Taxation (continued)

The Company's profit for the accounting year is taxed at an effective rate of 19% (2018: 19%). The tax charge for the year is lower than the corporation tax rate. The differences are explained below:

Factors affecting the tax charge for the year

	2019			2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Return before taxation	73,204	(29,514)	43,690	65,915	23,840	89,755
Corporation tax at 19% (2018: 19%)	13,909	(5,608)	8,301	12,524	4,530	17,054
Effects of:						
Non-taxable UK dividends	(11,886)	–	(11,886)	(10,615)	–	(10,615)
Non-taxable overseas dividends	(2,335)	–	(2,335)	(2,217)	–	(2,217)
Overseas tax suffered	1,181	–	1,181	1,236	–	1,236
Income taxable in different years	33	–	33	(45)	–	(45)
Expenses not deductible for tax purposes	1	–	1	268	574	842
Excess management expenses	248	1,614	1,892	55	955	1,010
Preference and preferred ordinary dividends not allowable for tax	30	–	30	30	–	30
Net capital losses/(gains) not subject to tax	–	3,994	3,994	–	(6,059)	(6,059)
	1,181	**–**	**1,181**	**1,236**	**–**	**1,236**

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 year. 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 totalling £23,155,000 (2018: £21,460,000) arising as a result of having unutilised management expenses and unutilised non-trade 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 £42,509,000 (2018: £88,519,000) and on 364,414,801 ordinary shares (2018: 346,003,431), being the weighted average number of ordinary shares in issue during the year.

The return per ordinary share is analysed between revenue and capital as below:

	2019 £'000	2018 £'000
Net revenue return	72,023	64,679
Net capital return	(29,514)	23,840
Net total return	**42,509**	**88,519**
Weighted average number of ordinary shares in issue during the year	**364,414,801**	**346,003,431**

	2019 Pence	2018 Pence
Revenue return per ordinary share	19.76	18.69
Capital return per ordinary share	(8.10)	6.89
Total return per ordinary share	**11.66**	**25.58**

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 ordinary shares

	Record date	Payment date	2019 £'000	2018 £'000
Fourth interim dividend (4.30p) for the year ended 30 June 2017	28 July 2017	31 August 2017	–	14,648
First interim dividend (4.30p) for the year ended 30 June 2018	20 October 2017	30 November 2017	–	14,796
Second interim dividend (4.30p) for the year ended 30 June 2018	26 January 2018	28 February 2018	–	14,826
Third interim dividend (4.55p) for the year ended 30 June 2018	27 April 2018	31 May 2018	–	16,016
Fourth interim dividend (4.55p) for the year ended 30 June 2018	27 July 2018	31 August 2018	16,174	–
First interim dividend (4.55p) for the year ended 30 June 2019	19 October 2018	30 November 2018	16,319	–
Second interim dividend (4.55p) for the year ended 30 June 2019	25 January 2019	28 February 2019	16,633	–
Third interim dividend (4.75p) for the year ended 30 June 2019	26 April 2019	31 May 2019	17,773	–
Unclaimed dividends over 12 years old			–	(144)
			66,899	**60,142**

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

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

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.

	2019 £'000	2018 £'000
Revenue available for distribution by way of dividend for the year	72,023	64,679
First interim dividend of 4.55p (2018: 4.30p)	(16,319)	(14,796)
Second interim dividend of 4.55p (2018: 4.30p)	(16,633)	(14,826)
Third interim dividend of 4.75p (2018: 4.55p)	(17,773)	(16,016)
Fourth interim dividend of 4.75p (2018: 4.55p) paid on 30 August 2019[1]	(18,012)	(16,175)
Undistributed revenue for section 1158 purposes[2]	**3,286**	**2,866**

1 Based on 379,209,868 ordinary shares in issue at 25 July 2019 (the ex-dividend date) (2018: 355,484,868)
2 The surplus of £3,286,000 (2018: surplus of £2,866,000) 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
2019:			
Valuation at 1 July 2018	347	1,637,907	1,638,254
Investment holding gains at 1 July 2018	–	(513,778)	(513,778)
Cost at 1 July 2018	**347**	**1,124,129**	**1,124,476**
Additions at cost	–	229,421	229,421
Disposals at cost	–	(113,604)	(113,604)
Cost at 30 June 2019	**347**	**1,239,946**	**1,240,293**
Investment holding gains at 30 June 2019	–	481,604	481,604
Valuation at 30 June 2019	**347**	**1,721,550**	**1,721,897**

Notes to the Financial Statements (continued)

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

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
2018:			
Valuation at 1 July 2017	347	1,508,679	1,509,026
Investment holding gains at 1 July 2017	–	(507,641)	(507,641)
Cost at 1 July 2017	**347**	**1,001,038**	**1,001,385**
Additions at cost	–	262,827	262,827
Disposals at cost	–	(139,736)	(139,736)
Cost at 30 June 2018	**347**	**1,124,129**	**1,124,476**
Investment holding gains at 30 June 2018	–	513,778	513,778
Valuation at 30 June 2018	**347**	**1,637,907**	**1,638,254**

The portfolio valuation at 30 June 2019 of £1,721,550,000 (2018: £1,637,907,000) is shown on the Statement of Financial Position as investments held at fair value through profit or loss.

Purchase transaction costs for the year ended 30 June 2019 were £1,046,000 (2018: £1,167,000). These comprise mainly of stamp duty and commission. Sale transaction costs for the year ended 30 June 2019 were £53,000 (2018: £75,000).

12 Investments in subsidiary undertakings

The Company's related undertakings are its 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. 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 subsidiaries 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. Its registered office is 201 Bishopsgate, London, EC2M 3AE. The aggregate amount of the capital and reserves of The City of London European Trust Limited at 30 June 2019 was £347,000 (2018: £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. Its registered office is 201 Bishopsgate, London, EC2M 3AE. The aggregate amount of the capital and reserves of City of London Investments Limited at 30 June 2019 was £2 (2018: £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 registered office is 201 Bishopsgate, London, EC2M 3AE. The aggregate amount of capital and reserves of The City of London Finance Company Limited at 30 June 2019 was £2 (2018: £2). This Company has two issued ordinary shares of £1 each.

13 Debtors

	2019 £'000	2018 £'000
Share issue proceeds receivable	2,332	428
Withholding and income tax recoverable	1,485	986
Sales for future settlement	903	2,333
Prepayments and accrued income	10,212	10,746
	14,932	**14,493**

Notes to the Financial Statements (continued)

14 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank overdraft	8,208	–
Amounts owed to subsidiary undertakings	347	347
Purchases for future settlement	3,159	2,052
Dividends payable on preference and preferred ordinary stocks	79	79
Accruals and deferred income	3,557	3,627
10¼% debenture stock 2020	10,000	–
	25,350	**6,105**

The Company has an uncommitted overdraft facility of £120,000,000 at 30 June 2019 (2018: £120,000,000) provided by its custodian and has provided a floating charge over its assets in return. The overdraft may be withdrawn by the custodian at any time and is repayable on demand. Interest on the overdraft was payable at a rate of HSBC base rate plus 1.25% at 30 June 2019 (2018: plus 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.

The repayment terms of the debenture stocks and secured notes are as follows: £10,000,000 10¼% debenture stock 2020 redeemable at par on 30 April 2020.

15 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
10¼% debenture stock 2020	–	10,000
8½% debenture stock 2021	30,000	30,000
4.53% secured notes 2029	34,694	34,663
2.94% secured notes 2049	49,663	49,651
£301,982 cumulative first preference stock	302	302
£507,202 non-cumulative second preference stock	507	507
£589,672 non-cumulative preferred stock	590	590
	115,756	**125,713**

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.

On 17 November 2017 the Company issued £50,000,000 (nominal) 2.94% secured notes due 2049, net of issue costs totalling £360,000. 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:

- £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.
- £50,000,000 2.94% secured notes 2049 redeemable at par on 17 November 2049.

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, 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, 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, which is payable after the entitlements on the first and second preference stocks.

Notes to the Financial Statements (continued)

15 Creditors: amounts falling due after more than one year (continued)

	First Preference Stock	Second Preference Stock	Preferred Ordinary Stock
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.

16 Risk management policies and procedures

The Directors manage investment risk principally through setting an investment policy (that is approved by shareholders) which incorporates risk parameters (see page 17), by contracting management of the Company's investments to an investment manager (Janus Henderson) under a contract which incorporates appropriate duties and restrictions and by monitoring performance in relation to these. Internal control and the Board's approach to risk is also on pages 18 to 19. There have been no material changes to the management or nature of the Company's investment risks from the prior year.

The main risks arising from the Company's pursuit of its investment objective are market risk (comprising market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The effects of these can also be increased by gearing.

The Board and Janus Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below.

- Straight-through processing via a deal order and management system ("OMS") is utilised for listed securities.
- Portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine.
- Fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises HiPortfolio software.
- The IT tools to which the Janus Henderson risk, compliance and operations teams have access for independent monitoring and risk measurement purposes include:
  – Charles River Compliance module for investment restrictions monitoring;
  – Nasdaq Bwise operational risk database;
  – RiskMetrics, UBS Delta, Style Research, Cognity and Barra for market risk measurement;
  – Bloomberg for market data and price-checking; and
  – HiPortfolio for portfolio holdings and valuations.

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.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1.1 Market price risk (continued)

Management of the risk

The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from Janus Henderson. The Board meets regularly and at each meeting reviews investment performance. The Board monitors Janus 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 2019 the Company had no open positions (2018: nil).

Concentration of exposure to market price risk

An analysis of the Company's investment portfolio is shown on pages 13 and 14. 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 Statement of Financial Position 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 at 30 June 2019 is a decrease of £181,000 (2018: £172,000) and on the capital return is an increase of £171,733,000 (2018: £163,390,000). The total impact on equity shareholders' funds would be an increase of £171,552,000 (2018: £163,218,000).

The impact of a 10% decrease in the value of the investments on the revenue return at 30 June 2019 is an increase of £181,000 (2018: £172,000) and on the capital return is a decrease of £171,733,000 (2018: £163,390,000). The total impact on equity shareholders' funds would be a decrease of £171,552,000 (2018: £163,218,000).

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.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 30 June 2019 are £3,202,000 (2018: £1,914,000).

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 £1,751,000 (2018: £1,452,000) if Sterling strengthens and a profit of £2,140,000 (2018: £1,775,000) if Sterling weakens. The 10% movement has been based on average market volatility in exchange rates in the previous twelve 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. There has been no hedging during the year.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1.3 Interest rate risk (continued)

Interest rate exposure

The Company's exposure at 30 June 2019 of financial assets and financial liabilities to fixed interest rate risk can be found in note 15. The exposure to floating interest rates can be found on the Statement of Financial Position 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 over the HSBC base rate
- interest paid on borrowings under the overdraft facility provided by the Custodian is at a margin of 1.25% above the HSBC Base Rate (2018: same).

The table below analyses the Company's contractual liabilities.

	2019			2018		
	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]	13,404	31,488	–	3,575	44,892	–
Secured notes[2]	3,056	12,222	129,550	3,056	12,222	132,606
Preference stocks and preferred ordinary stock[3]	157	628	1,399	157	628	1,399
Bank overdrafts and interest	8,208	–	–	–	–	–
Other creditors and accruals	7,142	–	–	6,105	–	–
	31,967	**44,338**	**130,949**	**12,893**	**57,742**	**134,005**

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" column also include the capital to be repaid. Details of repayment are set out on page 53 and dividend/interest payment dates on page 67

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 53 and interest payment dates on page 67

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.

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 Janus 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 2019, based on the earliest date on which payment can be required, is given on page 53.

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 and overdrafts is held only with reputable banks with high quality external credit ratings.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.3 Credit and counterparty risk (continued)

Stock lending transactions are carried out with a number of approved counterparties, whose credit rating is reviewed regularly by Janus 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 in the Statement of Financial Position. 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 Company only transacts with counterparties that it considers to be credit worthy. The exposure to credit and counterparty risk at 30 June 2019 was to cash at bank of £nil (2018: £68,000) and to other debtors of £14,932,000 (2018: £14,493,000).

None of the Company's financial assets are past their due date or impaired.

16.4 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value or the Statement of Financial Position amount is a reasonable approximation of fair value (debtors and creditors falling due within one year). The debenture stocks, secured notes, preference stocks and preferred ordinary stock are carried in the Statement of Financial Position at par.

At 30 June 2019, the fair value of the debenture stocks was £43,510,000 (2018: £46,104,000) and the aggregate fair value of the preferred and preference stocks was £2,557,000 (2018: £2,717,000).

The valuations of the debenture stocks are obtained from brokers based on market prices. The valuations of the preferred and preference stocks are from the Daily Official List quotations.

At 30 June 2019, the fair value of the secured notes was estimated to be £98,237,000 (2018: £94,033,000).

The fair value of the secured notes is calculated using a discount rate which reflects the yield of a UK Gilt of similar maturity plus a suitable credit spread.

The debenture stocks, preference stocks and preferred ordinary stock are categorised as level 1 in the fair value hierarchy.
The secured notes are categorised as level 3 in the fair value hierarchy.

16.5 Fair value hierarchy disclosures

The table below sets out fair value measurements using the FRS 102 fair value hierarchy.

Financial assets at fair value through profit or loss at 30 June 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,721,550	–	347	1,721,897
Total	**1,721,550**	**–**	**347**	**1,721,897**

Financial assets at fair value through profit or loss at 30 June 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,637,907	–	347	1,638,254
Total	**1,637,907**	**–**	**347**	**1,638,254**

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 – The unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly; and

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.5 Fair value hierarchy disclosures (continued)

The valuation techniques used by the Company are explained in the accounting policies note on page 57.

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 total capital at 30 June 2019 was £1,729,687,000 (2018: £1,646,710,000) comprising £8,208,000 (2018: £nil) of bank overdrafts, £40,000,000 (2018: £40,000,000) of Debenture Stocks, £84,357,000 (2018: £84,314,000) of Secured Notes, £1,399,000 (2018: £1,399,000) of Preference and Preferred Stocks and £1,595,723,000 (2018: £1,520,997,000) of equity share capital and reserves.

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.

Other than in exceptional market conditions, gearing will not exceed 20% of the net asset value at the time of the draw down of the relevant borrowings.

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 2018	354,409,868	88,603
Issue of new ordinary shares	24,425,000	6,106
At 30 June 2019	**378,834,868**	**94,709**
Allotted and issued ordinary shares of 25p each		
At 1 July 2017	339,409,868	84,853
Issue of new ordinary shares	15,000,000	3,750
At 30 June 2018	**354,409,868**	**88,603**

During the year the Company issued 24,425,000 (2018: 15,000,000) ordinary shares with total proceeds of £99,116,000 (2018: £62,698,000) after deduction of issue costs of £151,000 (2018: £143,000). The average price of the ordinary shares that were issued was 405.8p (2018: 418.0p).

18 Share premium account

	2019 £'000	2018 £'000
At beginning of year	520,701	461,753
Issue of shares	93,161	59,091
Less: issue costs	(151)	(143)
At end of year	**613,711**	**520,701**

Notes to the Financial Statements (continued)

19 Other capital reserves

	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2018	2,707	513,777	342,074	855,851
Transfer on disposal of investments	–	(20,759)	20,759	–
Net losses on investments	–	(11,416)	(9,602)	(21,018)
Exchange losses	–	–	(5)	(5)
Management fees charged to capital	–	–	(3,545)	(3,545)
Finance costs charged to capital	–	–	(4,946)	(4,946)
At 30 June 2019	**2,707**	**481,602**	**344,735**	**826,337**

	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2017	2,707	507,639	324,372	832,011
Transfer on disposal of investments	–	(38,061)	38,061	–
Net gains on investments	–	44,199	(12,204)	31,995
Exchange losses	–	–	(106)	(106)
Management fees charged to capital	–	–	(3,664)	(3,664)
Finance costs charged to capital	–	–	(4,385)	(4,385)
At 30 June 2018	**2,707**	**513,777**	**342,074**	**855,851**

20 Revenue reserve

	£'000
At 1 July 2018	53,135
Net return for the year	72,023
Dividends paid (note 10)	(66,899)
At 30 June 2019	**58,259**

	£'000
At 1 July 2017	48,598
Net return for the year	64,679
Dividends paid (note 10)	(60,142)
At 30 June 2018	**53,135**

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 £1,595,723,000 (2018: £1,520,997,000) and on 378,834,868 (2018: 354,409,868) shares in issue on 30 June 2019.

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 and the secured notes at their market (or fair) values rather than at their par (or book) values. The net asset value per ordinary share at 30 June 2019 calculated on this basis was 416.32p (2018: 424.33p).

The movements during the year of the assets attributable to the ordinary shares were as follows:	£'000
Total net assets attributable to the ordinary shares at 1 July 2018	1,520,997
Total net return after taxation	42,509
Dividends paid on ordinary shares in the year	(66,899)
Issue of shares	99,116
Total net assets attributable to the ordinary shares at 30 June 2019	**1,595,723**

The Company does not have any dilutive securities.

Notes to the Financial Statements (continued)

22 Capital commitments and contingent liabilities

Capital commitments

There were no capital commitments at 30 June 2019 (2018: none).

Contingent liabilities

At 30 June 2019, there existed a contingent liability in respect of the sub-underwriting participation of the Marks and Spencer rights issue amounting to £256,000 (2018: Phoenix Group £5,180,000).

The rights issue was fully subscribed and as a result no liability crystallised.

23 Transactions with the Manager and Related Parties

Under the terms of agreement effective from 22 July 2014 the Company has appointed subsidiaries of Janus Henderson Group plc to provide investment management, accounting, secretarial and administrative services. Janus 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 19. The total of management fees paid or payable to Janus Henderson under this agreement in respect of the year ended 30 June 2019 was £5,064,000 (2018: £5,234,000). The amount outstanding at 30 June 2019 was £1,266,000 (2018: £1,338,000).

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Janus Henderson also provides sales and marketing services which until 31 December 2017 were charged to the Company at an annual cost of £24,000 including VAT. Since 1 January 2018 there has been no separate charge for these services. The total fees paid or payable for these services for the year ended 30 June 2019 amounted to £72,000 including VAT (2018: £90,000) of which £71,000 was outstanding at 30 June 2019 (2018: £72,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 28 and in note 6 on page 49.

Securities Financing Transactions (unaudited)

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015-2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the year ended 30 June 2019 are detailed below.

Global Data

The amount of securities on loan as a proportion of total lendable assets and the Company's net assets at 30 June 2019 are disclosed below:

Stock lending 2019		
Market value of securities on loan £'000	**% of lendable assets**	**% of assets under management**
192,872	11.20	12.09

Concentration Data

The ten largest collateral issuers across all the securities financing transactions at 30 June 2019 are disclosed below:

Issuer	2019 Market value of collateral received £'000
Government of Japan	68,797
UK Treasury	21,765
Amazon	7,912
Dai-Ichi Life	6,602
Royal Dutch Shell	6,444
BHP	6,102
Suncor Energy	5,604
Tesco	5,493
DCC	5,333
Imperial Tobacco	4,967
	139,019

The top ten counterparties of each type of securities financing transactions at 30 June 2019 are disclosed below:

Counterparty	2019 Market value of securities on loan £'000
Bank of Nova Scotia	74,929
Barclays	62,121
HSBC	20,450
Société Générale	13,848
Macquarie	6,230
Citigroup	3,912
UBS	3,858
Goldman Sachs	3,130
Credit Suisse	2,959
Merrill Lynch	1,406
	192,843

Securities Financing Transactions (unaudited) (continued)

Aggregate transaction data

The following table discloses a summary of aggregate transaction data related to the collateral received from securities on loan at 30 June 2019:

Stock lending 2019							
Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
Bank of Nova Scotia	Canada	Equity	Main Market Listing	CAD	Tri-party	HSBC	9,674
		Equity	Main Market Listing	EUR	Tri-party	HSBC	6,610
		Equity	Main Market Listing	GBP	Tri-party	HSBC	31,933
		Equity	Main Market Listing	JPY	Tri-party	HSBC	6,602
		Equity	Main Market Listing	USD	Tri-party	HSBC	24,606
Barclays	London	Equity	Main Market Listing	JPY	Tri-party	HSBC	7,898
		Equity	Main Market Listing	SEK	Tri-party	HSBC	2,297
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	1,126
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	54,003
HSBC	Hong Kong	Equity	Main Market Listing	CHF	Tri-party	HSBC	33
		Equity	Main Market Listing	EUR	Tri-party	HSBC	235
		UK Gilts	Investment Grade	GBP	Bilateral	HSBC	21,143
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	66
Société Générale	France	Equity	Main Market Listing	EUR	Tri-party	HSBC	398
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	14,146
UBS	Switzerland	Equity	Main Market Listing	AUD	Tri-party	HSBC	105
		Equity	Main Market Listing	EUR	Tri-party	HSBC	1,541
		Equity	Main Market Listing	GBP	Tri-party	HSBC	2,287
		Equity	Main Market Listing	JPY	Tri-party	HSBC	139
		Equity	Main Market Listing	SGD	Tri-party	HSBC	4
		Equity	Main Market Listing	USD	Tri-party	HSBC	4,344
Macquarie	Australia	Equity	Main Market Listing	AUD	Tri-party	HSBC	3,673
		Equity	Main Market Listing	GBP	Tri-party	HSBC	527
		Equity	Main Market Listing	JPY	Tri-party	HSBC	1,831
		Equity	Main Market Listing	SEK	Tri-party	HSBC	573
Citigroup	US	Equity	Main Market Listing	EUR	Tri-party	HSBC	2,163
		Equity	Main Market Listing	GBP	Tri-party	HSBC	393
		Equity	Main Market Listing	JPY	Tri-party	HSBC	3
		Equity	Main Market Listing	NOK	Tri-party	HSBC	306
		Equity	Main Market Listing	USD	Tri-party	HSBC	415
		Government Debt	Investment Grade	CAD	Tri-party	HSBC	8
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	309
		Government Debt	Investment Grade	USD	Tri-party	HSBC	543
Goldman Sachs	US	Government Debt	Investment Grade	EUR	Bilateral	HSBC	3,969
Credit Suisse	Switzerland	Equity	Main Market Listing	CHF	Tri-party	HSBC	194
		Equity	Main Market Listing	EUR	Tri-party	HSBC	117
		Equity	Main Market Listing	GBP	Tri-party	HSBC	764
		Equity	Main Market Listing	HKD	Tri-party	HSBC	1,378
		Equity	Main Market Listing	JPY	Tri-party	HSBC	15
		Equity	Main Market Listing	NOK	Tri-party	HSBC	21
		Equity	Main Market Listing	SEK	Tri-party	HSBC	2
		Equity	Main Market Listing	USD	Tri-party	HSBC	81
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	4
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	557
Merrill Lynch	US	Equity	Main Market Listing	CHF	Tri-party	HSBC	145
		Equity	Main Market Listing	EUR	Tri-party	HSBC	1
		Equity	Main Market Listing	GBP	Tri-party	HSBC	140
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	842
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	334
		Government Debt	Investment Grade	USD	Tri-party	HSBC	18
Scandinaviska Enskilda	Sweden	Equity	Main Market Listing	EUR	Tri-party	HSBC	3
		Equity	Main Market Listing	GBP	Tri-party	HSBC	14
		Equity	Main Market Listing	JPY	Tri-party	HSBC	7
		Equity	Main Market Listing	USD	Tri-party	HSBC	6
							208,546

Securities Financing Transactions (unaudited) (continued)

The lending and collateral transactions are on an open basis and can be recalled on demand.

Re-use of collateral

The Company does not engage in any re-use of collateral.

Return and cost

The return and cost of engaging in securities lending by the Company and the securities lending agent in absolute terms and as a percentage of overall returns are disclosed below:

Total gross amount of securities lending income	Direct and indirect costs and fees deducted by securities lending agent	% return of the securities lending agent	Net securities lending income retained by the Company	% return of the Company
£342,000	£68,000	20	£274,000	80

Alternative Performance Measures (unaudited)

The Company uses the following Alternative Performance Measures ('APMs') throughout the annual report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders to help assess the Company's performance against its peer group.

Discount or Premium

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 ordinary share.

	NAV with Debt at fair value pence	NAV with Debt at par value pence	Share price pence	(Discount)/ premium to fair value NAV %	(Discount)/ premium to par value NAV %
At 30 June 2019	416.32	421.22	425.50	2.2	1.0
At 30 June 2018	424.33	429.16	432.00	1.8	0.7

Gearing/(Net cash)

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans, overdrafts, debentures or secured notes) the Company has used to invest in the market, and is calculated by taking the difference between total investments (see note 11 on page 51) and total shareholders' funds (see Statement of Financial Position), dividing this by total shareholders' funds and multiplying by 100 as indicated below:

		2019	2018
Investments held at fair value through profit or loss (page 44) (£'000)	(A)	1,721,550	1,637,907
Net assets (page 44) (£'000)	(B)	1,595,723	1,520,997
Gearing (C = A / B - 1) (%)	(C)	7.9	7.7

The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

Net Asset Value (NAV) per Ordinary Share

The value of the Company's assets (i.e. investments (see note 11) and cash held (see Statement of Financial Position)) less any liabilities (i.e. bank borrowings and debt securities (see notes 14 and 15)) for which the Company is responsible divided by the number of shares in issue (see note 17). The aggregate NAV is also referred to as total shareholders' funds in the Statement of Financial Position. The NAV per share is published daily and the year end NAV can be found on page 3 and further information is available on page 59 in note 21 within the notes to the financial statements.

Net Asset Value (NAV) with Debt at Market Value

The Company's debt (bank borrowings, debenture stocks, secured notes, preference and preferred stocks, further details can be found in notes 14 and 15 on page 53) is valued in the Statement of Financial Position (page 44) at amortised cost, which is materially equivalent to the repayment value of the debt on assumption that it is held to maturity. This is often referred to as 'Debt at Par'. The current market value of the debt, which assumes it is repaid under current market conditions, is referred to as 'Debt at Market Value'. This market value is detailed in note 16.4 on page 57. The difference between the market and par values of the debt is subtracted from or added to the Statement of Financial Position to derive the NAV with debt at market value (see note 21 on page 59). The NAV with debt at market value at 30 June 2019 was £1,577,175,000 (416.32p per ordinary share) and the NAV with debt at par was £1,595,723,000 (421.22p per ordinary share).

Alternative Performance Measures (unaudited) (continued)

Ongoing Charges

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC. It represents the total investment management fee and other administrative expenses expressed as a percentage of the average net asset values with debt at fair value throughout the year.

	2019 £'000	2018 £'000
Management fee (note 5)	5,064	5,234
Other administrative expenses (note 6)	726	708
Less: non-recurring expenses	(56)	(24)
Ongoing charges	**5,734**	**5,918**
Average net assets[1]	**1,470,567**	**1,445,806**
Ongoing charges ratio	**0.39%**	**0.41%**

1 Calculated using the average daily net asset value with debt at fair value

The ongoing charges calculated above is different from ongoing costs provided in the Company's Key Information Document ("KID") which are calculated in line with the PRIIPs regulations. The ongoing costs in the KID include finance costs, stock lending fees and costs of holding other investment trusts within the Company's investment portfolio.

Revenue Earnings per Share

The revenue earnings per share, is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see note 9 on page 50).

Revenue Reserve per Share

The revenue reserve per share, is the revenue reserve (see Statement of Financial Position) at the year end divided by the number of shares in issue (see note 17) at the year end date.

Total Return

The total return is the return on the share price or NAV with debt at market value taking into account both the rise and fall of NAVs/share prices and dividends 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 with debt at market value total return). Dividends paid and payable are set out in note 10 on page 51.

	NAV per share with debt at market value	Share price
NAV/Share Price per share at 30 June 2018 (pence)	424.33	432.00
NAV/Share Price per share at 30 June 2019 (pence)	416.32	425.50
Change in the year (%)	-1.9	-1.5
Impact of dividends reinvested (%)	4.6	4.5
Total return for the year (%)	**2.7**	**3.0**

Yield

The yield is the annual dividend expressed as a percentage of the year end share price.

		30 June 2019	30 June 2018
Annual dividend (pence)	(A)	18.6	17.7
Share price (pence)	(B)	425.5	432.0
Yield (C=A/B) (%)	(C)	4.4	4.1

General Shareholder Information

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and remuneration of Henderson Investment Funds Limited, as the Company's Alternative Investment Fund Manager are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in an AIFMD Disclosure document which can be found on the Company's website.

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 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.

Common Reporting Standard

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced with effect from 1 January 2016. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information is provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act – 2010

Copies of this report and other documents issued by the Company are available from the Corporate 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.

Foreign Account Tax Compliance ("FATCA")

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the U.S.) to file yearly reports on their non-U.S. financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities 'regularly traded on an established securities market', investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company therefore needs to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. reportable accounts to HMRC, as required.

General Data Protection Regulation ("GDPR")

GDPR came into force on 25 May 2018. A privacy statement can be found on the website **www.janushenderson.com**.

ISA

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

Non-Mainstream Pooled Investments Status

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.

Packaged Retail and Insurance-based Investment Products Regulation ("PRIIPs")/ Key Information Document ("KID")

Investors should be aware that the PRIIPs Regulation requires the Manager, as the PRIIP manufacturer, to prepare a key information document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

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.

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 premium/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.

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.

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

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.

In May 2017, Henderson Group plc merged with Janus Capital Group Inc. to become Janus Henderson Group plc which is quoted on the New York and Australian Stock Exchanges.

Dates of Dividend and Interest Payments

Dividends[1]

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

1 Payments are made on the nearest working day prior to the dates indicated above.

Debenture Interest

10¼% debenture stock 2020:

- payable on 30 April and 31 October
  Redeemable at par on 30 April 2020

8½% debenture stock 2021:

- payable on 31 January and 31 July
  Redeemable at par on 31 January 2021

Secured Notes

4.53% secured notes 2029:

- payable on 22 January and 22 July
  Redeemable at par on 22 January 2029

2.94% secured notes 2049:

- payable on 17 May and 17 November
  Redeemable at par on 17 November 2049

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 16.

The City of London Investment Trust plc
Registered as an investment company in England and Wales
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Registered Office: 201 Bishopsgate, London EC2M 3AE

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Global Intermediary Identification Number (GIIN): S55HF7.99999.SL.826
Legal Entity Identifier (LEI): 213800F3NOTF47H6AO55

Telephone: **0800 832 832**
Email: **support@janushenderson.com**

www.cityinvestmenttrust.com

MANAGED BY
Janus Henderson
INVESTORS

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