The City of London Investment Trust plc

Annual Report and Financial Statements for the year ended 30 June

2009

The City of London Investment Trust plc

The City of London Investment Trust plc has a portfolio predominantly invested in larger companies. It has a wholly independent Board of directors and the portfolio is managed by Henderson Global Investors Limited.

Objective

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

Performance Fee Benchmark

From 1 July 2005 to 30 June 2009 the total return of the "FTSE All-Share Index – adjusted for a maximum 4% cap for any single stock" ("FTSE All-Share Index – 4% capped").

From 1 July 2009 the AIC UK Growth & Income size weighted average net asset value total return

Savings

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

Financial Highlights

	30 June 2009	30 June 2008
Total Returns*		
Net asset value per ordinary share ("NAV")*#	**-20.9%**	-18.3%
Ordinary share price#	**-11.6%**	-18.0%
FTSE All-Share Index – 4% Capped† (benchmark)	**-20.1%**	-14.0%
NAV performance versus benchmark	**-0.8%**	-4.3%
FTSE All-Share Index#	**-20.5%**	-13.0%
Average UK Growth & Income Investment Trust NAV◊#	**-20.7%**	-20.8%
Dividend Yields		
The City of London#	**6.1%**	5.0%
FTSE All-Share Index – 4% Capped†	**4.2%**	4.1%
FTSE All-Share Index†	**4.6%**	4.1%
FTSE 350 Equity Investment Instruments Index†	**2.5%**	1.8%
Average UK Growth & Income Investment Trust◊#	**6.1%**	5.0%
Revenue		
Earnings per ordinary share	**13.15p**	13.53p
Dividends per ordinary share	**12.32p**	11.60p
Revenue reserve	**£27.9m**	£25.9m
Revenue reserve per ordinary share	**13.36p**	12.49p
Ordinary Share Price	**199.00p**	238.25p
Net Asset Value per Ordinary Share	**205.68p**	274.39p
Discount	**(3.2%)**	(13.2%)
Net asset value per ordinary share (with debt at market value)*	**198.75p**	269.09p
Premium/(discount) (with debt at market value)	**0.1%**	(11.5%)
Gearing*	**10.1%**	10.1%
Total Expense Ratio (as a percentage of shareholders' funds)*	**0.40%**(1)	0.37%(1)
Management and other expenses	**0.40%**(1)	0.37%(1)
Performance fee	**Nil**	Nil

*For definitions and further information please see the Glossary of Terms on page 51.

◊Size weighted average (shareholders' funds)

(1)Excluding VAT refund on management fees

Sources:

#AIC Information Services Limited

†Thomson Financial, Datastream

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Chairman's Statement

Simon de Zoete

For the year ended 30 June 2009, City of London increased its dividend by 6.2% and added £2.0 million to its revenue reserve. This is the forty-third consecutive year that City of London has increased its dividend, the longest record of any investment trust. The net asset value total return declined by 20.9%, broadly in line with market trends.

Performance for the year to 30 June 2009

Earnings and dividends

Revenue return per share was 13.15p, a decrease of 2.8%. A write-back of VAT and associated interest, of which £1,366,000 was credited to the revenue account, helped offset some of the effect of the overall decline in dividends from UK companies. A fourth interim dividend of 3.08p was paid on 28 August 2009 making a total for the year of 12.32p, an increase of 6.2% over the previous year.

In the previous two years, £4.7 million and £3.2 million respectively were added to the revenue reserve. The total revenue reserve is now £27.9 million, which compares with the cost of last year's dividend of £25.3 million. In the current year following dividend cuts by a number of companies in which we are invested, our income is expected to be lower than in 2008/09. Given the strength of the revenue reserve, however, the Board is able to maintain the minimum quarterly dividend of 3.08p per share. The quarterly rate will next be considered when the third interim dividend is declared in March 2010, by which time the Board will be able to assess better the trend in income performance of the portfolio.

Net asset value total return

For any funds that have an income requirement and tend to concentrate on companies that create cash flow and steadily increase their dividends, this has been a difficult 12 months. Relative to the index, it has been a year of two halves. In the first half, the net asset value total return outperformed by 6.4 percentage points as a result of the defensive bias in the portfolio. In the second half, low yielding cyclical stocks led the market, especially the large mining sector. In addition, many investors funded the rights issues from companies with weak balance sheets by selling some of their defensive holdings that had held up relatively well. Over the year, City of London's net asset value total return had a negative total return of 20.9%, slightly underperforming the index, which had a negative total return of 20.1%, and the average performance of the UK Growth & Income sector, which had a negative total return of 20.7%.

Overall, City of London's stock selection made a positive contribution of 1.9% with a significantly below average exposure to the bank sector helping. On the other hand, City of London's gearing, which was maintained in a range of between 9.0% and 12.4% during the year, detracted from return by 2.65%. Gearing can enhance returns in a rising equity market but this was not the direction of the market in this 12 month period.

City of London's share price performed better than its net asset value, with the result that the discount to net asset value (with debt at par value) narrowed over the year from 13.2% to 3.2%.

Performance for the five years to 30 June 2009

Earnings and dividends

The Company's annual dividend has grown by 47.9% over the last five years from 8.33p to 12.32p and revenue reserves have increased from 5.10p to 13.36p per share.

Net asset value total return

Shareholders' net asset value total return has increased by 12.8% over the last five years, which compares with 7.9% for the average of the UK Growth & Income investment trust sector. Over this period, shares with above average yield underperformed the indices, with the FTSE All-Share 4% Capped Index returning 19.8% and the FTSE All-Share Index 16.3%.

Expenses

The total expense ratio (TER) which is the investment management fee and other non-interest expenses as a percentage of shareholder funds, was 0.4% which is very competitive compared with other investment trusts and with other actively managed equity funds. With effect from 1 July 2009 we are introducing new performance fee arrangements to align the Manager's remuneration more closely with the long term interests of shareholders and the Company's investment objectives. Full details of these new arrangements are set out on page 17.

Outlook

As anticipated in my half year statement, many companies have cut or passed their dividends since January 2009. This has an impact on the range of companies that our Manager can prudently include in the portfolio because our priority is to invest in quality companies with good dividend payment potential. Current valuations of many of these companies are attractive by historic standards as are their dividend yields.

Our shares are on a prospective yield of 5.5% (as at the end of August) and offer excellent value relative to bank deposit rates and Government gilts. After two serious bear markets in the past 10 years, we believe that the portfolio offers good longer term potential for income and capital growth.

Board

Due to increasing business commitments in the United States, Angus Russell resigned from the Board on 30 June 2009. We would like to thank Angus for his contribution and input during the six years he served as a director. We were delighted that David Brief joined the Board on 1 January 2009.

Annual general meeting

Shareholders are invited to the annual general meeting on Thursday 15 October 2009 at 201 Bishopsgate, London EC2M 3AE. The meeting will start at 3pm and will include a presentation from the Portfolio Manager.

Simon de Zoete
8 September 2009

Historical Performance

Results
to 30 June 2009

Total Returns	1 year %	3 years %	5 years %	10 years %
Net asset value per ordinary share*	-20.9	-21.8	+12.8	+4.0
FTSE All-Share Index – 4% Capped◆	-20.1	-17.3	+19.8	N/A
FTSE All-Share Index*	-20.5	-18.1	+16.3	+1.4
UK Growth & Income Sector Average – net asset value*†	-20.7	-24.4	+7.9	+2.0

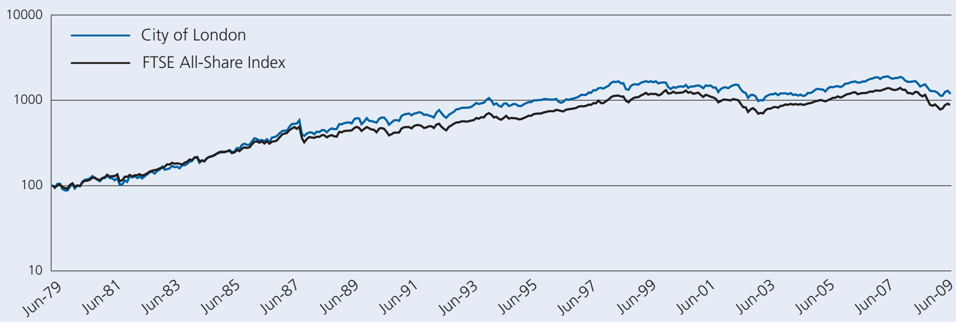
†Size weighted average (shareholders' funds)
*Source: AIC Information Services Limited
◆Thomson Financial, Datastream

Share Price Performance Total Return
to 30 June 2009

Value of £1,000 with net income reinvested	1 year £	3 years £	5 years £	10 years £
The City of London Investment Trust plc*	884	850	1,273	1,067
FTSE All-Share Index – 4% Capped◆	799	827	1,198	N/A
FTSE All-Share Index*	795	819	1,163	1,014
FTSE 350 Equity Investment Instruments Index*	773	867	1,347	1,214
UK Growth & Income Sector Average*†	872	814	1,213	1,168

Share price total return excluding transaction costs
†Size weighted average (shareholders' funds)
*Source: AIC Information Services Limited
◆Thomson Financial, Datastream

30 Year Performance
(rebased to 100)
to 30 June 2009
The City of London Investment Trust plc share price (excluding income) compared to the FTSE All-Share Index



Source: Thomson Financial, Datastream
Logarithmic scale

Summary Performance Record

Year ended	Net Asset Value per Ordinary Share (p)*	Net Asset Value per Ordinary Share (rebased)◆	Net Dividends per Ordinary Share (p)	Net Dividends per Ordinary Share (rebased)◆
30 June 1999	278.5	100	6.94	100
30 June 2000	267.1	96	7.18	103
30 June 2001	263.2	95	7.50	108
30 June 2002	224.6	81	7.94	114
30 June 2003	191.2	69	8.07	116
30 June 2004	218.8†	79	8.33	120
30 June 2005	256.9†	92	8.62	124
30 June 2006	294.7	106	9.36	135
30 June 2007	345.6	124	10.30	148
30 June 2008	274.4	99	11.60	167
30 June 2009	**205.7**	**74**	**12.32**	**178**

*Net asset value per ordinary share is calculated after deducting all prior charges, including the preference and preferred ordinary stocks, at par.
†Restated – due to change in accounting policy for treatment of dividends payable
◆Rebased to 100 at 30 June 1999

	1 year %	3 years %	5 years %	10 years %
Net asset value per ordinary share	-25.0	-30.2	-6.0	-26.1
Net dividend per ordinary share	+6.2	+31.6	+47.9	+77.5

Top 40 Investments

as at 30 June 2009

The 40 largest investments, representing 80.8% of the portfolio (convertibles and all classes of equity in any one company being treated as one investment), are listed below. The stock marked * was not in the top ten last year. The stock that was in the top ten last year but not this year was BT.

Position	Company	Sector	Market Value 2009 £'000	Percentage of Portfolio 2009
1	**British American Tobacco**	Tobacco	**29,278**	6.2
2	**BP**	Oil & Gas Producers	**28,190**	6.0
3	**Royal Dutch Shell**	Oil & Gas Producers	**24,416**	5.2
4	**GlaxoSmithKline**	Pharmaceuticals & Biotechnology	**24,041**	5.1
5	**Vodafone**	Mobile Telecommunications	**23,440**	5.0
6	**Diageo**	Beverages	**23,095**	4.9
7	**HSBC**	Banks	**20,854**	4.4
8	**Scottish & Southern Energy**	Electricity	**15,092**	3.2
9	**Tesco***	Food & Drug Retailers	**14,144**	3.0
10	**National Grid**	Gas, Water & Multiutilities	**13,687**	2.9
Top 10 = 45.9% of the portfolio				
11	**Barclays**	Banks	**12,924**	2.7
12	**AstraZeneca**	Pharmaceuticals & Biotechnology	**11,216**	2.4
13	**BHP Billiton**	Mining	**10,912**	2.3
14	**ENI**	Oil & Gas Producers	**10,700**	2.3
15	**Unilever**	Food Producers	**9,968**	2.1
16	**Land Securities**	Real Estate	**7,540**	1.6
17	**Aviva**	Life Insurance	**7,171**	1.5
18	**BAE Systems**	Aerospace & Defence	**6,770**	1.4
19	**Cadbury**	Food Producers	**6,630**	1.4
20	**Reed Elsevier**	Media	**5,876**	1.2
Top 20 = 64.8% of the portfolio				
21	**Britvic**	Beverages	**5,859**	1.2
22	**Reckitt Benckiser**	Household Goods	**5,532**	1.2
23	**Pearson**	Media	**5,181**	1.1
24	**Smith News**	Support Services	**4,558**	0.9
25	**Croda**	Chemicals	**4,001**	0.8
26	**Greene King**	Travel & Leisure	**3,713**	0.8
27	**Amlin**	Nonlife Insurance	**3,627**	0.8
28	**Pennon**	Gas, Water & Multiutilities	**3,621**	0.8
29	**Severn Trent**	Gas, Water & Multiutilities	**3,610**	0.8
30	**Deutsche Telekom**	Mobile Telecommunications	**3,580**	0.8
Top 30 = 74.0% of the portfolio				
31	**Rexam**	General Industrials	**3,556**	0.7
32	**Statoil**	Oil & Gas Producers	**3,282**	0.7
33	**Hiscox**	Nonlife Insurance	**3,265**	0.7
34	**United Utilities**	Gas, Water & Multiutilities	**3,264**	0.7
35	**Morrison (WM) Supermarkets**	Food & Drug Retailers	**3,193**	0.7
36	**Legal & General**	Life Insurance	**3,123**	0.7
37	**Kingfisher**	General Retailers	**3,112**	0.7
38	**RWE**	Gas, Water & Multiutilities	**3,111**	0.7
39	**IMI**	Industrial Engineering	**2,962**	0.6
40	**France Telecom**	Fixed Line Telecommunications	**2,958**	0.6
Top 40 = 80.8% of the portfolio				

Portfolio Manager's Report

Investment background

The year under review was dominated by the crisis in global banking and its effect on markets and the economy.

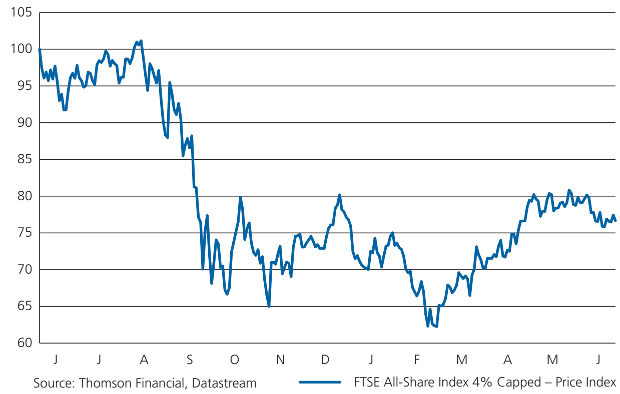
In September 2008, short term liquidity in the wholesale money markets became extremely scarce causing Lehman Brothers to file for bankruptcy and a number of other large financial institutions to be bailed out by government actions including AIG, Washington Mutual, Fortis, HBOS and Bradford & Bingley. In October 2008, the US government had to rescue Citigroup and the UK government announced a substantial capital injection into Royal Bank of Scotland and the soon to be merged LloydsTSB/HBOS. In January, the UK government had to provide a second package of support for RBS and Lloyds/HBOS which included government guarantees on asset backed securities and partial indemnities against further losses.

Given the troubles in the credit markets, companies found it increasingly difficult to obtain debt funding. Banks were unwilling to lend, even at much higher margins than in recent years. As a result, in the first half of 2009, there were a large number of raisings of new equity from companies including the two biggest ever on the London Stock Exchange from HSBC (£12 billion) and Rio Tinto (£9 billion). In addition, there were many dividend cuts and omissions from indebted companies.

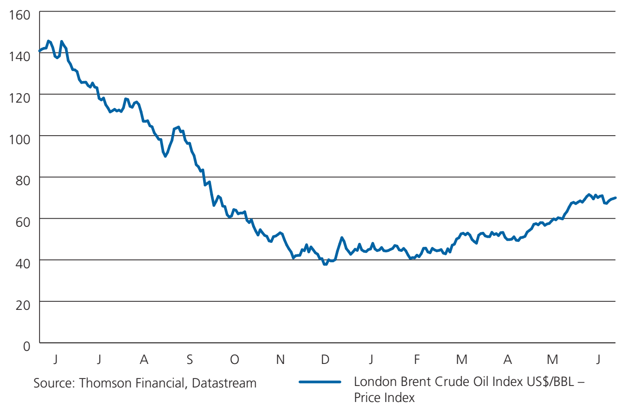
The failings of the banks had a serious effect on economic activity and there was a significant policy response from the authorities. In addition to supporting various banks and other financial institutions, interest rates were cut to unprecedentedly low levels. In the UK, base rates, which were 5% in July 2008, were cut all the way down to 0.5% by March 2009. To counter the negative effect of a falling money supply, the Bank of England embarked on a programme of quantitative easing whereby it bought UK government bonds and some corporate bonds. The UK government allowed its budget deficit to rise dramatically so that public spending could offset the sharp decline in private sector demand.

The cuts in interest rates, quantitative easing and increased government spending took place against an improved trend in inflation. The oil price fell from $140 a barrel in July 2008 to a low of below $40 a barrel at the end of 2008 before climbing back to about $70 a barrel by 30 June 2009. Similar moves were seen in other key

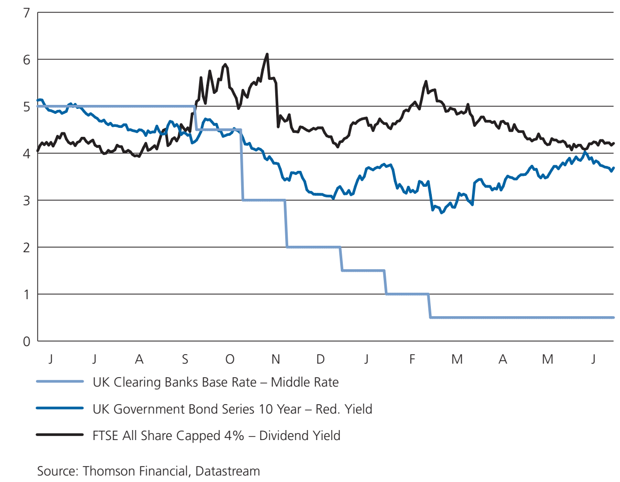
FTSE All-Share Index 4% Capped from 30.06.08 to 30.06.09 (rebased to 100)



London Brent Crude Oil Index US$/BBL – Price Index from 30.06.08 to 30.06.09



Base Rates, 10 Year UK Government & FTSE All-Share Index – 4% Capped Yields from 30.06.08 to 30.06.09



Portfolio Manager's Report

continued

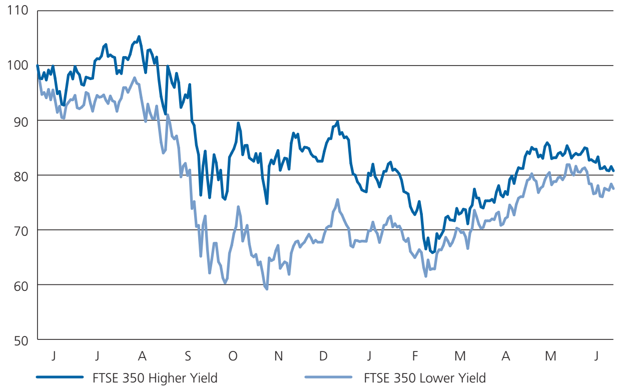
commodities. Despite the sharp fall in sterling against the Euro and the US dollar, inflation trended downwards in the UK economy given weak domestic demand, rising unemployment and subdued pay settlements.

Gearing at the start of the financial year was 10.1% and was maintained in a fairly tight range of between 9.0% and 12.4% to end the period at 10.1%. Overall, gearing had a negative impact of 2.65% on performance over the year. Gearing can enhance returns in rising markets and was maintained over the year because of our view of the longer term attractions of the stocks in the portfolio which were not recognised through share price gains in this reporting period.

Performance of higher yielding shares compared with lower yielding shares

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

Return on FTSE 350 Higher Yield and Lower Yield Indices from 30.06.08 to 30.06.09 (rebased to 100)



Source: Thomson Financial, Datastream

As can be seen, lower yielding shares underperformed in the first half of the period under review before recovering to end the year only slightly behind higher yielding shares. The principal cause of this swing in performance was the low yielding Mining sector. Overall, City of London's stock selection was positive when compared with the benchmark (the FTSE 4% Capped Index). The two sectors producing the most positive contribution for relative return compared with the FTSE 4% Capped Index were due to below average market exposure in Banks and Mining.

The two sectors with the most negative contributions were below average market exposure to Pharmaceuticals and above average exposure to Real Estate.

Portfolio review

In the Banks sector, the largest holding throughout the year was HSBC. Although HSBC suffered significant losses from its US operations, it continued to benefit from its very strong deposit base and its Far Eastern and Emerging markets operations (around half of the Bank's total business) held up relatively well.

The holdings in Royal Bank of Scotland and HBOS were both sold when the scale of their losses emerged and they became dependent on UK government support with little prospect of paying a dividend. Although it was very regrettable to have held any shares in either RBS or HBOS, our holdings were significantly below the market average and were sold well above the prices to which both banks subsequently fell.

We were very disappointed by Lloyds' acquisition of HBOS and voted against it and subsequently sold our holding. Lloyds had been relatively conservatively managed in recent years and had no exposure to US sub-prime debt. The board of Lloyds underestimated the problems at HBOS having not had enough time to conduct the necessary amount of due diligence.

A large holding was maintained in Barclays by switching out of the ordinary shares on favourable terms into a 9.75% convertible into ordinary shares in June 2009 that the bank issued in its October 2008 fund raising. The bank also raised new equity from sovereign wealth fund investors rather than the UK government. Although it had been a bumpy ride, the 9.75% Barclays convertible was showing a large profit by June 2009 with Barclays Capital, the investment bank, trading very well in the first half of 2009.

A new holding was purchased in Standard Chartered, which is domiciled in the UK but operates in Asia Pacific, the Middle East and Africa. The holding was purchased after Standard Chartered's equity rights issue to strengthen its balance sheet when the shares were undervalued relative to its growth prospects.

The reduced availability of mortgages had a marked effect on the UK Housebuilding sector. With house prices falling

Portfolio Manager's Report
continued

and the volume of transactions sharply down, the outlook for homebuilders seemed bleak and the holdings in Bovis and Persimmon were sold. The commercial property market faced the steepest falling values on record. As a result, the leading real estate investment trusts had to raise new equity. The rights were taken up in Land Securities (London offices and retail property), and Segro (industrial property), financed by selling Hammerson and Liberty International.

Given the banks' reduced willingness or inability to lend, a number of companies with a level of debt that in previous years would have seemed supportable, faced problems with refinancing their debt. As a result, such companies often needed to raise new equity and cut dividends. Throughout the year, the portfolio's exposure to such companies was reduced through sales that led to a reduction in the number of holdings from 103 to 89.

Favoured areas for new investment were those few sectors with resilient demand for their products and services. Demand for healthcare products and services is relatively steady in a recession although there are pressures from state or private insurance funding. Exposure to the Pharmaceutical sector was increased from 5.3% to 8.1% of the portfolio, partly through significant additions to the holding in AstraZeneca, which was bought on an undemanding rating given its profitability and cash flow. Profits were taken in low-yielding Shire. The underweight position in the Pharmaceutical sector during the first part of the year was costly in terms of performance relative to the index but by the end of the period we had moved to a position in line with the benchmark index.

Demand for utility services remains relatively constant through the economic cycle although companies' profitability can be affected by regulatory settlements. Exposure to the Gas, Water & Multiutilities sector was increased through the purchase of Centrica, owner of the British Gas energy supply business, whose competitiveness was improved by the lower UK gas price. A new holding was also purchased in Rotork, world leader in the manufacture of actuators, devices which can reliably switch valves on and off. Its key customers are in the oil and gas, power generation and water industries where capital expenditure is likely to grow on long term investment programmes.

Demand for telecommunication services has historically held up in downturns although profitability can be adversely affected by price cuts. Unfortunately, BT proved to be a major disappointment with a profit warning from its global information technology services division. In addition, its pension fund deficit concerned investors. Given the substantial cut in BT's dividend, the holding was sold and replaced with France Telecom and Swisscom, which have less competitive domestic fixed line markets, and, unlike BT, own mobile telecommunications operations.

In the Media sector, a new holding was purchased in Thomson-Reuters. Over half of its sales are in the relatively non cyclical areas of law, tax, accountancy, science and healthcare. Sales in the financial division are under pressure but weaker profits in this area are being offset by cost cutting. The company is listed in the UK and Canada and the holding was bought in London on a discount of over 20% to the Canadian line.

The Mining sector is particularly sensitive to global economic activity with commodity prices moving sharply in either direction. A significantly below average position relative to the benchmark was maintained in this volatile sector. This contributed positively to performance over the year with the sector collapsing in the first half and then recovering some of its losses in the second half. Anglo American passed its dividend due to high indebtedness and a downturn in profitability, so the stock was sold.

The portfolio's overweight position in the Oil & Gas sector had a negative capital effect with the oil price falling sharply from its all time high in July 2008. On the other hand, the oil stocks held in the portfolio all produced high dividend yields with dividends enhanced by the rise in the US dollar.

Finally, strong performance was achieved by some of the consumer goods companies. British American Tobacco rose from second largest to become the largest holding in the portfolio without any new investment. Diageo and Britvic, in the Beverages sector, were also notable outperformers.

Outlook

By the end of June 2010, the UK will have had a general election. Whoever forms the next government will have the unpleasant task of raising taxes and cutting public spending because the current budget deficit is unsustainably high. The outlook for domestic demand appears to be poor in the UK with unemployment likely to rise further. The USA

Portfolio Manager's Report

continued

and various European countries face similar problems to the UK. The best prospect for economic growth probably lies in China and various emerging markets.

The largest seven holdings in the portfolio are all multinationals which are not dependent on the UK or any other single country. Overall, the portfolio retains a strongly defensive bias. Companies with relatively high visibility of profits and dividends are favoured. BP and Royal Dutch Shell are the second and third largest holdings in the portfolio. They should continue to benefit from the growing demand for oil (and gasoline) from China and other emerging markets and the positive effect of this demand on the oil price. Both companies seem committed to at least maintaining their dividends.

The outlook for dividends from the other largest holdings in the portfolio is as follows. Consumer goods companies British American Tobacco and Diageo are likely to continue growing their dividends based on resilient demand for their products in global markets. Strong and reliable cashflow underpins the dividends at GlaxoSmithKline and AstraZeneca. Vodafone's dividend has scope to improve in the medium term when it starts to receive dividends from its valuable 45% stake in Verizon Wireless in the USA. Utilities Scottish & Southern Energy and National Grid have predominantly regulated revenues and both have objectives of dividend growth in real terms. We would expect HSBC's dividend to be secure from its reduced level and Tesco should continue to grow its dividend with substantial scope to grow in services in the UK and food retailing overseas.

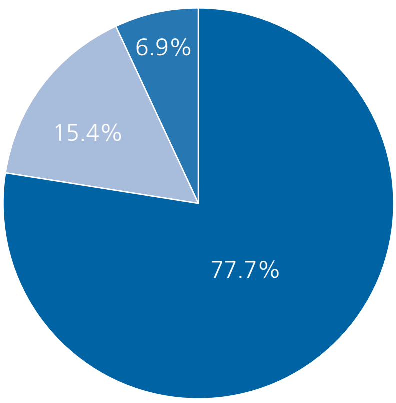
In contrast to the healthy outlook for profits and dividends from our largest holdings, many companies in economically sensitive industries have cut or omitted their dividends. While investors are prone to get excited about the long term recovery potential in cyclical stocks, the outlook is still very unclear in many industries. We will continue to monitor the cyclical sectors closely for tangible evidence of recovery in revenues and profits. For the time being, the portfolio is strongly biased towards defensive stocks where we can be confident that profits will be made and dividends paid.

Job Curtis

Distribution of the Portfolio

at 30 June 2009

- Large companies (constituents of the FTSE 100 Index)
- Medium-sized companies
- Overseas listed companies



Estimated Performance Attribution Analysis

(for the year to 30 June 2009 – total returns relative to the FTSE All-Share Index – 4% Capped)

	2009	2008
Stock Selection	**+1.89%**	-2.14%
Gearing	**-2.65%**	-2.07%
Expenses	**-0.36%**	-0.37%
Share Buy Backs/Issues	**+0.01%**	+0.04%
VAT reclaim	**+0.28%**	+0.25%
Total	**-0.83%**	-4.29%

Source: Henderson Global Investors Limited

Investments (all equity shares)

	Valuation at 30 June 2009 £'000
OIL & GAS	
Oil & Gas Producers	
BP	28,190
Royal Dutch Shell	24,416
*ENI	10,700
*Statoil	3,282
	66,588
Oil Equipment, Services & Distribution	
*Prosafe	1,823
	1,823
Total Oil & Gas	**68,411**
BASIC MATERIALS	
Chemicals	
Croda	4,001
Johnson Matthey	2,014
Victrex	1,406
	7,421
Mining	
BHP Billiton	10,912
Rio Tinto	2,471
	13,383
Total Basic Materials	**20,804**
INDUSTRIALS	
Aerospace & Defence	
BAE Systems	6,770
Rolls-Royce	2,892
Meggitt	1,744
	11,406
Construction & Materials	
Marshalls	1,201
	1,201
Electronic & Electrical Equipment	
Halma	1,891
Renishaw	922
	2,813
General Industrials	
Rexam	3,556
Smiths Group	2,104
Tomkins	1,628
Smith (DS)	798
	8,086
Industrial Engineering	
IMI	2,962
Weir	2,541
Spirax-Sarco Engineering	2,320
Rotork	2,069
	9,892

	Valuation at 30 June 2009 £'000
INDUSTRIALS (continued)	
Industrial Transportation	
BBA	1,995
	1,995
Support Services	
Smith News	4,558
G4S	2,606
De La Rue	1,731
Hays	1,715
Davis Service	1,668
Premier Farnell	1,575
Interserve	1,052
	14,905
Total Industrials	**50,298**
CONSUMER GOODS	
Beverages	
Diageo	23,095
Britvic	5,859
	28,954
Food Producers	
Unilever	9,968
Cadbury	6,630
Tate & Lyle	1,593
Dairy Crest	1,364
	19,555
Household Goods	
Reckitt Benckiser	5,532
	5,532
Tobacco	
British American Tobacco	29,278
	29,278
Total Consumer Goods	**83,319**
HEALTH CARE	
Pharmaceuticals & Biotechnology	
GlaxoSmithKline	24,041
AstraZeneca	11,216
*Novartis	2,949
	38,206
Total Health Care	**38,206**
CONSUMER SERVICES	
Food & Drug Retailers	
Tesco	14,144
Morrison (WM) Supermarkets	3,193
	17,337

Investments (all equity shares)

continued

	Valuation at 30 June 2009 £'000
CONSUMER SERVICES (continued)	
General Retailers	
Kingfisher	3,112
Halfords	2,490
Next	2,203
Marks & Spencer	2,065
Kesa Electricals	1,388
	11,258
Media	
Reed Elsevier	5,876
Pearson	5,181
Thomson-Reuters	2,598
British Sky Broadcasting	2,275
Euromoney Institutional Investor	1,071
	17,001
Travel & Leisure	
Greene King	3,713
William Hill	1,965
Arriva	1,827
Whitbread	1,429
Ladbrokes	1,380
Marston's	1,188
Holidaybreak	1,120
	12,622
Total Consumer Services	**58,218**
TELECOMMUNICATIONS	
Fixed Line Telecommunications	
*France Telecom	2,958
*Swisscom	2,793
	5,751
Mobile Telecommunications	
Vodafone	23,440
*Deutsche Telekom	3,580
	27,020
Total Telecommunications	**32,771**
UTILITIES	
Electricity	
Scottish & Southern Energy	15,092
	15,092

	Valuation at 30 June 2009 £'000
UTILITIES (continued)	
Gas, Water & Multiutilities	
National Grid	13,687
Pennon	3,621
Severn Trent	3,610
United Utilities	3,264
*RWE	3,111
Centrica	2,676
	29,969
Total Utilities	**45,061**
FINANCIALS	
Banks	
HSBC	20,854
Barclays	12,924
Standard Chartered	2,565
	36,343
Financial Services	
Provident Financial	2,619
Schroders	1,675
Investec	1,307
	5,601
Life Insurance	
Aviva	7,171
Legal & General	3,123
Standard Life	1,768
	12,062
Nonlife Insurance	
Amlin	3,627
Hiscox	3,265
Admiral	2,175
	9,067
Real Estate	
Land Securities	7,540
Segro	1,455
*Unibail Rodamco	1,356
	10,351
Total Financials	**73,424**
TECHNOLOGY	
Software & Computer Services	
Sage	1,781
	1,781
Total Technology	**1,781**
TOTAL EQUITY INVESTMENTS	**472,293**

*European Listed

Classification of Investments and Portfolio Weighting

as at 30 June 2009

		2009 Portfolio %	2009 FTSE All-Share 4% Capped Index %	2009 Relative to the FTSE All-Share 4% Capped Index
Oil & Gas	Oil & Gas Producers	14.1	12.6	+1.5
	Oil Equipment, Services & Distribution	0.4	0.6	-0.2
		14.5	13.2	
Basic Materials	Chemicals	1.6	0.4	+1.2
	Forestry & Paper	–	0.1	-0.1
	Industrial Metals	–	0.1	-0.1
	Mining	2.8	10.9	-8.1
		4.4	11.5	
Industrials	Construction & Materials	0.3	0.3	0.0
	Aerospace & Defence	2.4	2.4	0.0
	General Industrials	1.7	0.7	+1.0
	Electronic & Electrical Equipment	0.6	0.3	+0.3
	Industrial Engineering	2.1	0.5	+1.6
	Industrial Transportation	0.4	0.2	+0.2
	Support Services	3.2	3.8	-0.6
		10.7	8.2	
Consumer Goods	Automobiles & Parts	–	0.1	-0.1
	Beverages	6.1	3.4	+2.7
	Food Producers	4.1	3.0	+1.1
	Household Goods	1.2	2.4	-1.2
	Personal Goods	–	0.3	-0.3
	Tobacco	6.2	4.6	+1.6
		17.6	13.8	
Health Care	Health Care Equipment and Services	–	0.5	-0.5
	Pharmaceuticals & Biotechnology	8.1	8.2	-0.1
		8.1	8.7	
Consumer Services	Food & Drug Retailers	3.7	3.7	0.0
	General Retailers	2.4	2.1	+0.3
	Media	3.6	2.9	+0.7
	Travel & Leisure	2.7	2.8	-0.1
		12.4	11.5	
Telecommunications	Fixed Line Telecommunications	1.2	1.2	0.0
	Mobile Telecommunications	5.7	4.2	+1.5
		6.9	5.4	
Utilities	Electricity	3.2	1.4	+1.8
	Gas Water & Multiutilities	6.3	3.1	+3.2
		9.5	4.5	
Financials	Banks	7.6	10.1	-2.5
	Nonlife Insurance	1.9	1.2	+0.7
	Life Insurance	2.6	3.1	-0.5
	Real Estate	2.2	1.8	+0.4
	Financial Services	1.2	2.2	-1.0
	Equity Investment Instruments	–	3.2	-3.2
		15.5	21.6	
Technology	Software & Computer Services	0.4	1.3	-0.9
	Technology Hardware & Equipment	–	0.3	-0.3
		0.4	1.6	
Total		**100.0**	**100.0**	

Directors





Simon de Zoete (Chairman) was Deputy Chairman of Credit Suisse First Boston (Europe) Limited until June 2001. He is an adviser to BAE Systems 2000 Pension Plan. He is an investment banker specialising in the equity market and was Vice Chairman of Barclays de Zoete Wedd prior to its sale to Credit Suisse First Boston in 1998. He joined the Board in 2000.

David Brief is currently Chief Investment Officer of BAE Systems Pension Funds Investment Management Limited. He is also a non-executive director of Henderson TR Pacific Investment Trust plc. He joined the Board on 1 January 2009.

Anita Frew is Chairman of Victrex Plc and a non-executive Director of Aberdeen Asset Management plc, IMI plc, Securities Trust of Scotland plc and Northumbrian Water Ltd. Prior to this, she was an executive Director of Abbott Mead Vickers, Director of Corporate Development at WPP Group plc and Head of UK Equities at Scottish Provident. She joined the Board in October 2006.

Richard Hextall is the Group Finance Director of Amlin plc and a director of the Lloyd's Market Association Board. Prior to joining Amlin, he was employed by Deloitte & Touche. He joined the Board in 2007.

Sir Keith Stuart is an adviser to The Gas & Electricity Markets Authority, having been a Member of the Authority from 2000 to 2006. He was Chairman of Associated British Ports Holdings plc from 1983 to 2002 and he has also served as non-executive Chairman of SEEBOARD plc and as a non-executive Director of BAA plc and RMC Group plc. He joined the Board in 1999.

All directors are independent of the Investment Manager although Mr Brief is a director of Henderson TR Pacific Investment Trust plc, which is also managed by Henderson Global Investors. All directors are members of the Nominations Committee, which is chaired by Simon de Zoete. The Audit Committee consists of Sir Keith Stuart (Chairman), Richard Hextall and David Brief.

Management

From left to right: front row – Deborah Trickett, Job Curtis
back row – Alex Crooke, James Henderson

Job Curtis has been the **Portfolio Manager** since 1 July 1991.
He is an executive of Henderson Global Investors Limited. Job is assisted in the management of the portfolio by Alex Crooke and James Henderson.

Deborah Trickett acts as **Company Secretary** on behalf of Henderson Secretarial Services Limited.

Report of the Directors

The directors present the audited financial statements of the Company and their report for the year ended 30 June 2009.

Business Review

The following business review is designed to provide information primarily about the Company's business and results for the year ended 30 June 2009. The Business Review should be read in conjunction with the Portfolio Manager's Report on pages 6 to 9, which gives a detailed review of the investment activities for the year and an outlook for the future.

a) Status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA"). It is required to seek approval from HM Revenue & Customs ("HMRC") of its status as an investment trust under the above-mentioned Section 842 every year, and this approval will continue to be sought. HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 30 June 2008, although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval.

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an ISA.

b) Investment objective and policy

Objective

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

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 15%) 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 dividend yield of the portfolio 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. The gearing range normally averages between 0% and 20%. 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 for the purposes of efficient portfolio management. Buying and selling FTSE 100 Index Futures can be used to increase or reduce gearing.

- Diversification

The Company achieves an appropriate spread of investment risk principally through a broadly diversified portfolio, which at 30 June 2009 contained 89 individual investments. At 30 June 2009, the largest single investment was British American Tobacco, which accounted for 6.2% of total investments, while the top 20 holdings totalled 64.8%.

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.

c) Financial review

- Assets

Total net assets at 30 June 2009 amounted to £428,882,000 compared with £568,720,000 at 30 June 2008, and the net

Report of the Directors

continued

asset value per ordinary share decreased from 274.39p to 205.68p. This figure is calculated by valuing the Company's long term debt at its nominal value. With long term debt calculated at its fair, or market, value year-on-year the net asset value decreased from 269.09p to 198.75p.

At 30 June 2009 there were 89 (2008: 103) separate investments, as detailed on pages 10 and 11.

	2009	2008	% Change
Net assets as at 30 June	**£428.9m**	£568.7m	-24.6
Revenue return for the year	**£27.28m**	£28.07m	-2.8
Dividends payable per share for the year	**12.32p**	11.60p	+6.2

- Revenue

The Company's gross revenue totalled £29,351,000 (2008: £30,427,000). After deducting expenses, the revenue return for the year was £27,282,000 (2008: £28,068,000).

- Costs

In the year under review borrowing costs totalled £4,667,000, the management fee totalled £1,454,000 and other expenses totalled £535,000. These figures include VAT where applicable. No performance fee is payable as the Company did not outperform the benchmark index. During the year an amount of £948,000 was recognised as recoverable in respect of VAT borne on investment management fees in past years; this amount has been accounted for as a negative expense. Further details are contained in note 23 on page 47. Transaction costs, which include stamp duty and totalled £315,000, are included within the purchase costs or netted against the sales proceeds of investments.

- Dividends

The Board aims to make progressive increases in annual dividend payments. For the financial year under review, four quarterly interim dividends of 3.08p have been declared, providing a total dividend of 12.32p per ordinary share, an increase of 6.2% over the previous year.

- Payment of suppliers

It is the payment policy of the Company to obtain the best possible terms for all business and, therefore, there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 30 June 2009.

- Bank facility

At 30 June 2009 the Company had a committed short term facility of £30m which expired in July 2009. A new facility is being negotiated. Actual gearing at 30 June 2009 was 10.1% of net asset value.

- Future developments

While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objective in accordance with the strategy outlined above. Further comments on the outlook for the Company for the next 12 months are set out in both the Chairman's Statement on page 3 and the Portfolio Manager's Report on pages 8 and 9.

- Going concern

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

d) Performance measurement and key performance indicators

In order to measure the success of the Company in meeting its objectives the directors take into account the following key performance indicators:

- Performance against the Company's peer group

The Company is included in the AIC "UK Growth and Income" sector. The Board considers the size weighted average net asset value total return of its AIC peer group at each Board meeting. With effect from 1 July 2009, the Board has determined that, instead of the FTSE All-Share Index – 4% Capped, this key performance indicator should be used for calculating whether a performance fee is payable to the Investment Manager. Further details of the proposed change and the reasons therefor are set out in section (g) on page 17.

Report of the Directors

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- Performance against the FTSE All-Share Index – 4% Capped

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 – 4% Capped. This benchmark was adopted with effect from 1 July 2005 following the Board's concerns about the increased weightings of the largest stocks in the FTSE All-Share Index. This index is calculated and maintained by FTSE and is available both on the Company's website, www.cityinvestmenttrust.com and on www.ftse.com

For the year under review, the index was used to calculate whether a performance fee would be paid to the Investment Manager.

- Premium/discount to net asset value ("NAV")

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

The Company publishes an NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula which since 1 June 2008 includes current year revenue items. Prior to that date, the AIC formula and the daily NAV excluded current year revenue items.

- Total expense ratio ("TER")

The TER is a measure of the total expenses incurred by the Company including those charged to capital, expressed as a percentage of the average shareholders' funds over the year. Where applicable, a TER is shown including and excluding performance fees. The Board regularly reviews the TER and monitors all Company expenses. For the year ended 30 June 2009 the TER was 0.40% (2008: 0.37%).

The following table sets out, with comparatives, the key performance indicators:

	At 30 June 2009	At 30 June 2008
NAV total return	**-20.9%**	-18.3%
FTSE All-Share Index 4% Capped total return (benchmark)	**-20.1%**	-14.0%
FTSE All-Share Index total return	**-20.5%**	-13.0%
AIC Sector NAV total return	**-20.7%**	-20.8%
Share price total return	**-11.6%**	-18.0%
AIC Sector share price total return	**-12.8%**	-20.7%
Discount	**3.2%**	13.2%
Total expense ratio, excluding performance fee	**0.40%**	0.37%
Total expense ratio, including performance fee	**0.40%**	0.37%
AIC Sector average total expense ratio, excluding performance fee*	**0.87%**	0.80%

*As at 30 April 2009 (2008: 30 April 2008)

e) Related party transactions

Investment management, accounting, company secretarial and administration services and custody services are provided to the Company by wholly-owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and by BNP Paribas Securities Services. These are the only related party arrangements currently in place. Other than fees payable by the Company in the ordinary course of business, there have been no material transactions with these related parties affecting the financial position or performance of the Company during the year under review.

f) Management arrangements to 30 June 2009

Investment management, UK custodial, accounting, company secretarial and administration services are provided to the Company by wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and by BNP Paribas Securities Services under a Management Agreement which is reviewed annually and has a six months' notice period.

- Base management fee

The base management fee is calculated at the rate of 0.30% on the first £400m of assets under management and 0.25% on assets under management in excess of £400m. Such fees are payable quarterly in arrears based on the level of assets at the relevant quarter end.

- Performance fee arrangements for the year under review

In addition, a performance fee is payable annually equivalent

Report of the Directors

continued

to 0.1% for every 1% outperformance against the Company's benchmark subject to a cap of 0.5% of the average assets under management during the year (including the base management fee) over the Company's accounting year.

With effect from 1 July 2005, an adjustment to the performance fee was introduced in order to align it more closely to shareholders' actual returns. In the event of a significant movement in the share price, the performance fee would be reduced or increased in line with a sliding scale. Should the Company's share price decrease over the year in question by between 10.00% and 14.99%, the performance fee element would be reduced by 10%; a fall of between 15.00% and 19.99% in the share price would result in a reduction of 15% of the performance fee; and a decline of 20.00% or more in the share price would create a reduction of 20% in the performance fee. This arrangement is symmetrical and, should the share price increase over the period, the same thresholds and increases to the performance fee would apply. This could mean that the total fee paid may exceed the 0.5% cap by up to 20% of the performance fee.

Underperformance in any accounting year must be made good in full before a performance fee is payable in any subsequent accounting year whilst any outperformance in excess of the cap may be carried forward solely for the purpose of making good subsequent underperformance for a maximum of the next two accounting years.

g) New fee arrangements with effect from 1 July 2009

From 1 July 2009 base management fees will be calculated based on net assets and not gross assets as this ensures that there is no financial incentive for the Manager to take on gearing, other than to enhance performance. To ensure that the Manager continues to receive a broadly equivalent fee in cash terms, the fee rate will be increased to a flat 0.35% (currently 0.30% of gross assets up to £400m and 0.25% thereafter).

Under the current arrangements the Manager, Henderson Global Investors, is able to earn a performance fee by outperforming the FTSE All-Share Index capped at 4%. Recent developments in the make-up of the index, however, together with the fact that many prominent companies have reduced or cancelled their dividend payments, means that in the Board's view it has become necessary to review the appropriateness of the index as the basis for calculating the Manager's remuneration. The Board has concluded that the index is no longer the best means of aligning the Manager's performance with the long term interests of shareholders and the Company's investment objectives.

Accordingly, the Board has decided to adopt the AIC UK Growth & Income size weighted average net asset value total return as the basis for measuring whether a performance fee should be paid to the Manager. The investment trusts in this sector have a similar income and capital growth objective. It is the Board's view that investors seeking income and capital growth from UK equities will judge a trust based principally on its performance relative to this peer group. It is therefore appropriate for the performance of the Manager to be measured against its peers for performance fee purposes.

In making this change, the Board believes that three year performance should be measured rather than one year as this will smooth out short term positive or negative performance and only reward consistent outperformance. For the year to 30 June 2010, the performance fee will be calculated on the performance of the Company for the period from 1 July 2007 to 30 June 2010.

In addition, a hurdle rate of 15% is being introduced so the Manager is not rewarded for average performance. This means that a performance fee will only be paid if City of London's net asset value total return is at least 15% better than the sector. The performance fee payable will be 15% of the cash value of the outperformance above the hurdle rate subject to an overall cap on total fees paid in any one year of 0.55% of average net assets.

The adjustment factor, which enhances or reduces any performance fee payable where the share price total return has been more than 10% positive or negative, has been doubled. This will further strengthen the link between the reward to the Manager for outperformance and shareholder interests. The absolute cap of total fees payable in any one year will therefore be 0.63% of average net assets.

These new fee arrangements will maintain the Company's position of having one of the lowest base management fees and one of the lowest total expense ratios in the AIC UK Growth & Income Sector.

Report of the Directors
continued

h) Principal risks and uncertainties

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

- Portfolio and market

Although the Company invests almost entirely in securities that are quoted 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 shareholders' funds. The Board reviews the portfolio each month and mitigates this risk through diversification of investments in the portfolio.

- Investment activity 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 index and the companies in its peer group. The Board monitors investment performance at each Board meeting and regularly reviews the extent of its borrowings.

- Tax and regulatory risks

A breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Acts 1985 and 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 has contracted to provide 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 regulatory compliance.

- Financial

By its nature as an investment trust, the Company's business activities are exposed to market risk (including market price risk, currency risk and interest rate risk), liquidity risk, and credit and counterparty risk. Details of these risks and how they are managed are contained in Note 16 on pages 42 to 45.

- Operational

Disruption to, or failure of, the Manager's accounting, dealing or payment systems or custody 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.

Details of how the Board monitors the services provided by the Manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section on page 22.

i) Employee and environmental matters

The Company has no employees and outsources its investment management and company secretarial services to subsidiaries of Henderson. Henderson has implemented environmental management practices, which include systems to limit the use of non-renewable resources and minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible.

Corporate Governance Statement

a) Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. Paragraph 9.8.6 of the UK Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provisions of the 2008 Combined Code. As an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the directors are all non-executive. Thus, not all the provisions of the 2008 Combined Code are directly applicable to the Company.

The Financial Reporting Council (the "FRC") confirmed in February 2007 that it remained the view of the FRC that by following the Corporate Governance Guide for Investment Companies produced by the Association of Investment Companies (the "AIC Guide"), boards of investment companies should fully meet their obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules. The AIC Code of Corporate Governance (the "AIC Code"), as explained by the AIC Guide, addresses all the principles set out in Section 1 of the 2008 Combined Code, as well as

Report of the Directors

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setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board of The City of London Investment Trust plc believes that reporting against the AIC Code by reference to the AIC Guide will provide the most appropriate information to shareholders and has therefore followed the principles and recommendations set out in the AIC Code. Copies of the AIC Code and the AIC Guide can be found on www.theaic.co.uk

b) Statement of compliance

The AIC Code comprises 21 principles. The directors believe that during the year under review they have complied with the provisions of the AIC Code, insofar as they apply to the Company's business, and with the provisions of the 2008 Combined Code except as noted below.

- Senior independent director

A senior independent director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

- The role of chief executive

Since all directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive.

- Executive directors' remuneration

As the Board has no executive directors, it is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on page 28.

- Internal audit function

As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there is no requirement for an internal audit function. The directors annually review whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

c) Directors

- Board composition

The Articles of Association provide that the total number of directors shall not be less than three nor more than seven; the Board currently consists of five non-executive directors. The biographies of the directors holding office at the date of this report, which are set out on page 13, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors. David Brief was appointed a director on 1 January 2009. All the other directors served on the Board throughout the year. Angus Russell retired from the Board on 30 June 2009.

- Directors' appointment, retirement and rotation

The Board may appoint directors to the Board and any director so appointed must stand for election by the shareholders at the AGM following appointment, in accordance with the Articles of Association. Mr Brief, who was appointed by the Board during the year, will therefore stand for election at the 2009 AGM.

All directors are appointed for an initial term of three years. The Articles of Association require one-third (or the number nearest to one-third) of the directors to retire by rotation at each AGM, while the AIC Code requires each director to retire at intervals of not more than three years. Directors may then offer themselves for re-election. The directors retiring by rotation at the forthcoming AGM are Simon de Zoete and Anita Frew, who were both last re-elected in 2006. Both Mr de Zoete and Miss Frew, being eligible, have stated that they will offer themselves for re-election.

Under the Articles of Association, shareholders may remove a director before the end of his term by passing an ordinary resolution at a meeting. An ordinary resolution is passed if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

- Board independence

The directors reviewed their independence and confirm that all directors, with the exception of Mr Brief, remain wholly independent of Henderson. Mr Brief is a director of another investment trust managed by the Investment Manager. All directors have a wide range of other interests and are not dependent on the Company itself.

Two members of the current Board, Mr de Zoete and Sir Keith Stuart, have served on the Board for nine years. The Board believes that length of service does not diminish the contribution from a director; conversely a director's experience and knowledge of the Company can be a positive benefit to

Report of the Directors
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the Board and retaining directors with sufficient experience of both the Company and the markets is of great benefit to shareholders. Moreover, long-serving directors are less likely to take a short-term view. The directors have reviewed the balance of ages and experience of all of the Board members and confirm that Mr de Zoete and Sir Keith Stuart continue to provide a valuable and beneficial contribution to the Company and that their experience complements the abilities of the other directors. The Board has therefore concluded that they remain independent. In order to comply with the provisions of the Combined Code, however, Mr de Zoete and Sir Keith Stuart will seek annual re-election by shareholders. Mr de Zoete is already required to retire through the rotation requirements set out above. Sir Keith Stuart will also seek re-election at this year's AGM.

There were no contracts subsisting during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

- Directors' remuneration

A report on directors' remuneration is on page 28.

- Directors' interests in shares

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 table below.

Ordinary shares of 25p	30 June 2009	1 July 2008
Beneficial:		
Simon de Zoete	**189,607**	177,323
David Brief (i)	**4,000**	–
Anita Frew	**5,000**	5,000
Richard Hextall	**4,000**	–
Angus Russell	**8,160**	6,460
Sir Keith Stuart	**209,480**	167,835

(i) Appointed 1 January 2009

Since the year end, the following directors have become interested in further shares: Simon de Zoete 332, and Sir Keith Stuart 405 shares.

- Directors' conflicts of interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. With effect from 1 October 2008, the Companies Act 2006 (the "Act") has allowed directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the articles of association contain a provision to this effect. The Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. There are two safe harbours – either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the directors. The Company's new Articles of Association, which were adopted by shareholders on 16 October 2008, give the directors the relevant authority required to deal with conflicts of interest.

Each of the directors has provided a statement of all conflicts of interest and potential conflicts of interest, if any, applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. Going forward, the directors have also all undertaken to notify the Chairman as soon as they become aware of any new potential conflicts of interest that would need to be approved by the Board and added to the Register, which will be reviewed annually by the Board.

It has also been agreed that directors will advise the Chairman and the Company Secretary in advance of any proposed external appointment and new directors will be asked to submit a list of potential situations falling within the conflicts of interest provisions of the 2006 Act in advance of joining the Board. The Chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board. Only directors who have no interest in the matter being considered will be able to participate in the Board approval process. In deciding whether to approve a conflict of interest, directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the directors consider this to be appropriate.

The Board believes that its powers of authorisation of conflicts has operated effectively since they were introduced on 1 October 2008. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the directors.

Report of the Directors
continued

- Directors' professional development

When a new director is appointed he or she is offered a training seminar which is held by the Investment 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.

- Directors' indemnity

Directors' and officers' liability insurance cover is in place in respect of the directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for 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.

d) The Board

- Responsibilities of the Board and its Committees

During the year eight Board meetings were held to deal with the important aspects of the Company's affairs. The Board has a formal schedule of matters specifically reserved for its decision, categorised under various headings, which include strategy and management, structure and capital, financial reporting and controls, internal controls, communications, board and committee memberships and corporate governance.

The Board has two Committees, the Audit Committee and the Nominations Committee. The terms of reference for these Committees are available on the Company's website. The Board has not formed a Management Engagement Committee as it remains the role of the Board as a whole (with the exception of Mr Brief) to keep under review the terms of the management agreement between the Company and the Investment Manager.

- Audit Committee

During the year under review, the Audit Committee members were Sir Keith Stuart (Chairman), Richard Hextall and Angus Russell. Following Mr Russell's resignation on 30 June 2009, Mr Brief has joined the Audit Committee. The Audit Committee comprises two independent members and at least one member who has competence in accounting.

The Audit Committee meets at least twice a year and is responsible for the review of the annual accounts, the nature and scope of the external audit and the findings therefrom, the terms of appointment of the auditors together with their remuneration, performance, independence and objectivity, as well as any non-audit services provided by the auditors, and the half year report. It meets with representatives of the Investment Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. When applicable, the auditors are engaged to review the calculation of any performance fee due at the year end. This is considered to be a non-audit service.

During the year, the Audit Committee undertook a review of the audit services provided by Ernst & Young LLP, who had been the statutory auditors to the Company for several years. As a result of its review, the Board decided to appoint PricewaterhouseCoopers LLP, and Ernst & Young were therefore asked to resign. PricewaterhouseCoopers LLP, who were appointed in January 2009, have indicated their willingness to continue in office. Accordingly, resolutions to confirm the appointment of PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the directors to determine their remuneration, will be proposed at the AGM.

- Nominations Committee

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

The Committee also reviews and recommends to the Board the directors to retire by rotation. Reappointment as a director is not automatic and will follow a process of evaluation of each director's performance. In accordance with the Combined Code any director serving for longer than six years would be subject to particularly rigorous assessment of his/her contribution and any director serving for longer than nine years would be subject to annual re-election by shareholders.

When considering succession planning, the Committee bears in mind the balance of skills, knowledge and experience existing on the Board and will recommend when the recruitment of additional non-executive directors is required. Once a decision is made to recruit additional directors to the Board, each director is invited to submit nominations and these are considered in accordance with the Board's agreed procedures. The Committee may also use external agencies as and when the requirement to recruit an additional Board member becomes necessary.

Report of the Directors
continued

The Committee met in June 2009 to carry out its annual review of the Board, its composition and size and its Committees. The directors retiring by rotation are set out on page 19 above. The results of the performance evaluation are contained in (e) below.

- Board attendance

Attendance at the Board and committees meetings held during the financial year are shown below. All directors usually attend the Annual General Meeting.

No of meetings	Board 8	Audit Committee 2	Nominations Committee 1
Simon de Zoete	8	–	1
David Brief [(i)]	4	–	1
Anita Frew	7	–	1
Richard Hextall	8	2	1
Angus Russell	6	2	–
Sir Keith Stuart	8	2	1

(i) Appointed to the Board on 1 January 2009

e) Performance evaluation

- The Company

The performance of the Company is considered in detail at each Board meeting.

- The Board

The work of the Board as a whole and of the Board Committees was reviewed by the Nominations Committee in June 2009 and no areas of concern were identified.

- Individual directors

The Chairman reviews each individual director's contribution on an annual basis. The Nominations Committee meets without the Chairman present in order to review the performance of the Chairman. At the 2009 Nominations Committee Meeting it was agreed that the Chairman continues to promote effective leadership and each of the directors contributes valuable experience and skills to the Board.

f) Internal controls

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company. The process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull Guidance"). The process has been in place since 2 March 2000 and up to the date of approval of this annual report.

The Board is responsible overall for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 June 2009. During the course of its review of internal controls, the Board has not identified or been advised of any failings or weaknesses that have been determined as significant.

The Board, assisted by the Investment Manager, undertook a full review of the Company's business risks and these have been analysed and recorded in a risk map which is reviewed regularly.

The Investment Manager has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Investment Manager's compliance and risk department on a continuing basis. The Board receives each quarter from the Investment Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Investment Manager, and which reports the details of any known internal control failures. The Board receives each year from the Investment Manager a report on its internal controls which includes a report from the Investment Manager's auditors on the control policies and procedures in operation. Steps will continue to be taken to embed the system of internal control and risk management into the operation and culture of the Company and its key suppliers.

g) Accountability and relationship with Investment Manager

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 27, the Independent Auditor's Report on page 49 and the Statement of Going Concern on page 15.

The Board has delegated contractually to external third parties, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and registration services. Each of these contracts

Report of the Directors

continued

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 receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends meetings of all the chairmen of the investment trust companies managed by the Investment Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment Manager attend each Board meeting enabling the directors to probe further on matters of concern. A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The directors have access to the advice and services of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board and Investment Manager operate in a supportive, co-operative and open environment.

h) Continued appointment of the Investment Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with the Investment Manager are contained on pages 16 and 17.

The Board reviews investment performance at each Board meeting and a formal review of the Investment Manager is conducted annually. As part of the annual review in July 2009 the directors discussed the quality and continuity of the personnel assigned to handle the Company's affairs, with particular reference to performance and results achieved to date. In addition, they reviewed other services provided by the Investment Manager to the Company, such as accounting, company secretarial and administration services, and the Investment Manager's promotion of investment and savings products linked to the Company's shares. The Board noted the Investment Manager's resources and experience in managing and administering investment trust companies.

As a result of their annual review, it is the opinion of the directors that the continued appointment of the current Investment Manager on the terms agreed is in the interests of the Company's shareholders as a whole.

Although the Company has underperformed its benchmark over the past year, the Board has borne in mind the Company's performance vis-à-vis other investment trusts in its sector. The Board has also reviewed the basis of remunerating the Manager and a new performance fee arrangement has been agreed with effect from 1 July 2009 to align remuneration more closely with performance against the peer group and the Company's share price performance. Full details are set out on page 17.

i) Share capital and shareholders

- Share capital

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

i) *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 207,574,868 ordinary shares in issue (including 308,090 shares being held in treasury). During the year, a further 50,000 shares (representing 0.02% of the number of shares in issue at the beginning of the year) were bought back and put into treasury for a total consideration (excluding stamp duty and commissions) of £110,000. All 358,090 shares were sold out of treasury during the year for a total consideration of £670,000. In addition, a further 945,000 ordinary shares were allotted for a total consideration of £1,857,000. At 30 June 2009 there were no shares remaining in treasury, and the number of ordinary shares in issue (with voting rights) was 208,519,868.

ii) *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 2008 and at 30 June 2009 there was £301,982 of first preference stock in issue.

iii) *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

Report of the Directors
continued

Company or if dividends are in arrears). At 1 July 2008 and at 30 June 2009 there was £507,202 of second preference stock in issue.

iv) *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 2008 and at 30 June 2009 there was £589,672 of preferred ordinary stock in issue.

Further details on the first and second preference stock and the preferred ordinary stock (together the "Preferred Stock") are contained in note 15 on pages 40 and 41.

Since 30 June 2009 and up to the date of this report a further 100,000 ordinary shares have been issued for a total consideration of £211,250. The number of shares in issue of the date of this report is 208,619,778.

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.

- Substantial share interests

Declarations of interests in the voting rights of the Company, at 30 August 2009, are set out below.

Shareholder	% of voting rights
Legal & General	3.9%
Axa S.A.	3.1%

The Board is aware that, as at 30 August 2009, 17.5% of the issued ordinary shares were held on behalf of participants in the Halifax Share Dealing products, run by Halifax Share Dealing Limited ("HSDL"), which is now part of Lloyds Banking Group. In accordance with the arrangements made between HSDL and Henderson, the participants in the Halifax Share Dealing products are given the opportunity to instruct the nominee company of HSDL to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. HSDL has undertaken to instruct its nominee company to exercise the voting rights of any shares held through the Halifax Share Dealing products that have not been exercised by the individual participants in them. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

- Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the Half Year Report and Annual Report and Financial Statements which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication at the London and New Zealand Stock Exchanges of the net asset value of the Company's ordinary shares and a monthly fact sheet.

The Board considers that shareholders should be encouraged to attend and participate in the Annual General Meeting, which is chaired by the Chairman of the Board and which all directors normally attend. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other directors at the meeting. The Portfolio Manager, as the representative of the Investment Manager, makes a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting. It is the intention of the Board that the Annual Report and Financial Statements and Notice of Annual General Meeting be issued to shareholders so as to provide at least twenty working days' notice of the meeting. Shareholders wishing to lodge questions in advance of the meeting are invited to do so by writing to the Company Secretary at the Registered Office address given on the inside back cover.

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

- New Zealand listing

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

- Board authorities to issue and buy back share capital

The directors seek annual authority from the shareholders to allot new ordinary shares, to disapply the pre-emption rights of existing shareholders, and to buy back for cancellation or to be held in treasury the Company's ordinary shares. In

Report of the Directors

continued

addition, the directors seek annual authority to buy back and cancel the Company's preferred and preference stocks. More details of the authorities sought at the AGM are set out in the Annual General Meeting section below.

j) Exercise of voting powers

The Company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on financial returns.

Annual General Meeting ("AGM")

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your voting rights in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held on Thursday 15 October 2009 at 3.00pm. The formal notice of the AGM is set out on pages 53 and 54. Separate resolutions are proposed for each substantive issue. Resolutions relating to the following items of special business will be proposed at the AGM, for which shareholder approval is required in order to comply with the Companies Act 2006.

Resolution 9 – Authority to allot shares (ordinary resolution)

At the AGM on 16 October 2008 the directors were granted authority to allot a limited number of authorised but unissued ordinary shares. Since then, 1,045,000 shares have been allotted under this authority and the Board's remaining authority is to allot up to 9,315,836 shares. This authority will expire at the forthcoming AGM in October 2009. An ordinary resolution to renew this authority will be proposed at the 2009 AGM to authorise the directors to allot shares up to a maximum aggregate nominal amount of £2,607,747 (being 5% of the issued share capital as at the date of the Notice of the AGM). The resolution is set out in full in the Notice of the AGM on page 53.

Resolution 10 – Power to disapply pre-emption rights (special resolution)

At the AGM on 16 October 2008, the directors were also empowered to allot securities of a limited value for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. Since the 2008 AGM, the directors have used this power to issue 1,403,090 shares (358,090 shares out of treasury and 1,045,000 new shares). The Board still has authority to issue a further 8,957,746 shares. This authority will expire at the 2009 AGM. Resolution 10, which is a special resolution, will be proposed to give the directors power to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £2,607,747 (being 5% of the issued share capital (excluding any shares held in treasury) as at the date of the Notice of the AGM). Pre-emption rights under the Companies Act apply to the resale of treasury shares for cash, just as they do for the allotment of new shares. The Board's intention is that resolution 10 will relate to either new issues or to the resale of treasury shares.

The directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of net asset value per share, that is at a premium to net asset value, the net asset value being calculated with debt at fair value. If renewed, both of these authorities will expire at the conclusion of the AGM in 2010.

Resolution 11 – Authority to make market purchases of the Company's own shares (special resolution)

On 16 October 2008 the directors were granted authority to repurchase 31,061,795 ordinary shares (with a nominal value of £7,765,448) for cancellation or to be held in treasury; 50,000 shares were repurchased during the year and placed in treasury before being resold. The Board has remaining authority to purchase 31,011,795 shares. This authority will expire at the forthcoming AGM in October 2009.

In Resolution 11 the Board is seeking shareholder approval to renew the authority to purchase on the London Stock Exchange up to a maximum of 14.99% of the Company's

Report of the Directors

continued

ordinary shares in issue (excluding any shares held in treasury) at the date of the AGM (equivalent to 31,272,105 ordinary shares of 25p, with a nominal value of £7,818,026, at 8 September 2009, the date of the Notice of the AGM).

The directors do not intend to use this authority unless to do so would result in an increase in the net asset value per ordinary share and would be in the best interests of shareholders generally. The authority being sought provides an additional source of potential demand for the Company's shares. 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. The Board considers the use of treasury shares is beneficial to the Company's shareholders and would expect, if shareholder approval is renewed, to hold any ordinary shares repurchased in treasury up to the maximum permitted under the Companies Act 2006.

The Board considers that the use of share buy backs can enhance shareholder value. Shares are only purchased at a price below the prevailing net asset value per share, thereby increasing the net asset value of the remaining shares.

Resolution 12 – Authority to repurchase Preferred Stock (special resolution)

The Board wishes to renew the authority to make market purchases of its Preferred Stock. No Preferred Stock has been repurchased under the authority granted at the AGM in October 2008. As previously, the maximum price payable for each £1 of Preferred Stock would not be more than 10% above the prevailing middle market value of the relevant class of Preferred Stock for the business day preceding the date of purchase which, given that the stock is lightly traded, the directors believe represents a suitable basis for determining an appropriate maximum purchase price; the minimum purchase price per £1 of stock would be 1p. The directors would only make such purchases if they were considered to be in the best interests of shareholders generally and any Preferred Stock repurchased would be cancelled.

Resolution 13 – Authority to hold a general meeting on 14 days' notice (special resolution)

The notice period for general meetings (other than the annual general meeting) has been extended under recent legislation from 14 to 21 days. However, companies are permitted to seek shareholder approval, by way of a special resolution, for general meetings (other than the annual general meeting) to be called on 14 days' notice. Therefore, in order to ensure maximum flexibility in communicating with shareholders, the Board is seeking authority at the 2009 AGM to be able to call general meetings (other than the annual general meeting) on the shortest permissable notice. This authority will only be used if to do so will be in the best interests of shareholders. The Company will only be able to take advantage of this authority if all shareholders are given the opportunity (but not the obligation) to vote at such a general meeting by electronic means.

Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM.

Directors' Statement as to Disclosure of Information to Auditors

The directors who were members of the Board at the time of approving this Report are listed on page 13. Each of those directors confirms that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- they have 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.

By order of the Board

D J Trickett ACIS
For and on behalf of Henderson Secretarial Services Limited
Secretary
8 September 2009

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 profit or loss of the Company for that period. 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 respectively; and
- prepare the financial statements on the going concern basis.

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.

Statement under DTR 4.1.12

Each of the directors, who are listed on page 13, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Report of the Directors in this Annual Report includes 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.

Signed on behalf of the Board of directors

S M de Zoete
Chairman
8 September 2009

The financial statements are published on www.cityinvestmenttrust.com which is a website maintained by the Company's Manager, Henderson Global Investors Limited ("Henderson").

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

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

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Sections 420-422 to the Companies Act 2006. The report also meets the relevant Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by Section 439 of the Act, a resolution to approve the report will be proposed at the AGM. 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.

Remuneration policy

All directors are non-executive and a Remuneration Committee has not been established. The whole Board considers matters relating to directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the directors' remuneration.

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

There are no long term incentive schemes provided by the Company and no performance fees are paid to directors.

No director has a service contract with the Company. There are no set notice periods and a director may resign by notice in writing to the Board at any time.

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

The fees payable by the Company in respect of each of the directors who served during the year and previous year are listed below. Since 1 January 2008 the annual fees paid to the directors are £34,000 (Chairman), £25,000 (Chairman of the Audit Committee) and £23,000 (other directors).

(Audited)	**2009 £**	2008 £
Simon de Zoete	**34,000**	32,000
Sir Keith Stuart (i)	**25,000**	23,500
David Brief (ii)	**11,500**	–
Anita Frew	**23,000**	21,500
Richard Hextall (iii)	**23,000**	14,815
Mark Nicholls (iv)	**–**	5,543
Angus Russell	**23,000**	21,500
TOTAL	**139,500**	118,858

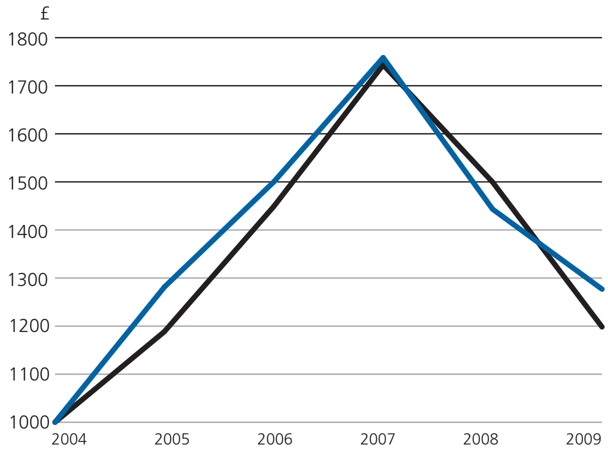
(i) Chairman of the Audit Committee. (ii) Appointed on 1 January 2009. (iii) Appointed on 1 November 2007. (iv) Resigned on 10 October 2007.

Expenses

During the year ended 30 June 2009 no expenses were paid to the directors (2008: £nil).

Performance graph

The index selected for the graph below is a composite of the FTSE All-Share Index to 30 June 2005 and the FTSE All-Share Index – 4% capped from 1 July 2005 to reflect the benchmarks used by the Company over the period.



City of London share price total return, assuming the investment of £1,000 on 1 July 2004 and the reinvestment of all dividends (excluding dealing expenses)

Composite of the FTSE All-Share Index (to 30 June 2005) and the FTSE All-Share Index – 4% capped (from 1 July 2005) total return, assuming the notional investment of £1,000 on 1 July 2004 and the reinvestment of all income (excluding dealing expenses).

By order of the Board

D J Trickett ACIS
For and on behalf of
Henderson Secretarial Services Limited, Secretary
8 September 2009

Income Statement

for the year ended 30 June 2009

Notes		**Year ended 30 June 2009** **Revenue return £'000**	**Capital return £'000**	**Total £'000**	Year ended 30 June 2008 Revenue return £'000	Capital return £'000	Total £'000
2	Losses on investments held at fair value through profit or loss	**–**	**(140,426)**	**(140,426)**	–	(149,375)	(149,375)
3	Income from investments held at fair value through profit or loss	**28,374**	**–**	**28,374**	30,162	–	30,162
4	Other interest receivable and similar income	**977**	**–**	**977**	265	–	265
	Gross revenue and capital losses	**29,351**	**(140,426)**	**(111,075)**	30,427	(149,375)	(118,948)
5	Management fee	**(436)**	**(1,018)**	**(1,454)**	(577)	(1,346)	(1,923)
5, 23	Write-back of VAT	**538**	**410**	**948**	428	1,213	1,641
6	Other administrative expenses	**(535)**	**–**	**(535)**	(484)	–	(484)
	Net return/(loss) on ordinary activities before finance charges and taxation	**28,918**	**(141,034)**	**(112,116)**	29,794	(149,508)	(119,714)
7	Finance charges	**(1,510)**	**(3,157)**	**(4,667)**	(1,547)	(3,217)	(4,764)
	Net return/(loss) on ordinary activities before taxation	**27,408**	**(144,191)**	**(116,783)**	28,247	(152,725)	(124,478)
8	Taxation on net return/(loss) on ordinary activities	**(126)**	**–**	**(126)**	(179)	–	(179)
	Net return/(loss) on ordinary activities after taxation	**27,282**	**(144,191)**	**(116,909)**	28,068	(152,725)	(124,657)
9	**Return/(loss) per ordinary share – basic**	**13.15p**	**(69.49p)**	**(56.34p)**	13.53p	(73.63p)	(60.10p)

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

Reconciliation of Movements in Shareholders' Funds

for the years ended 30 June 2009 and 30 June 2008

Year ended 30 June 2009	**Called up share capital £'000**	**Share premium account £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
At 30 June 2008	**51,894**	**35,309**	**455,638**	**25,879**	**568,720**
Net (loss)/return on ordinary activities after taxation	**–**	**–**	**(144,191)**	**27,282**	**(116,909)**
Buyback of 50,000 ordinary shares	**–**	**–**	**(110)**	**–**	**(110)**
Sale of 358,090 shares out of treasury	**–**	**–**	**670**	**–**	**670**
Issue of 945,000 new ordinary shares	**236**	**1,621**	**–**	**–**	**1,857**
Issue expenses incurred	**–**	**(37)**	**–**	**–**	**(37)**
Dividends paid (note 10)	**–**	**–**	**–**	**(25,309)**	**(25,309)**
At 30 June 2009	**52,130**	**36,893**	**312,007**	**27,852**	**428,882**

Year ended 30 June 2008	Called up share capital £'000	Share premium account £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 June 2007	51,983	35,309	610,191	21,174	718,657
Net (loss)/return on ordinary activities after taxation	–	–	(152,725)	28,068	(124,657)
Buyback of 663,262 ordinary shares	(89)	–	(1,828)	–	(1,917)
Dividends paid (note 10)	–	–	–	(23,363)	(23,363)
At 30 June 2008	51,894	35,309	455,638	25,879	568,720

The notes on pages 33 to 48 form part of these financial statements

Balance Sheet

at 30 June 2009

Notes		**2009 £'000**	2008 £'000
11	**Investments held at fair value through profit or loss**		
	Listed at market value in the United Kingdom	**439,741**	593,791
	Listed at market value overseas	**32,552**	32,553
12	Investment in subsidiary undertakings	**378**	378
		472,671	626,722
	Current assets		
13	Debtors	**7,167**	5,828
	Cash at bank	**750**	350
		7,917	6,178
14	**Creditors:** amounts falling due within one year	**(4,307)**	(16,781)
	Net current assets/(liabilities)	**3,610**	(10,603)
	Total assets less current liabilities	**476,281**	616,119
15	**Creditors:** amounts falling due after more than one year	**(47,399)**	(47,399)
	Total net assets	**428,882**	568,720
	Capital and reserves		
17	Called up share capital	**52,130**	51,894
18	Share premium account	**36,893**	35,309
19	Other capital reserves	**312,007**	455,638
20	Revenue reserve	**27,852**	25,879
21	**Shareholders' funds**	**428,882**	568,720
21	**Net asset value per ordinary share**	**205.68p**	274.39p

These financial statements were approved by the directors and authorised for issue on 8 September 2009.

S M de Zoete
Director

The notes on pages 33 to 48 form part of these financial statements

Cash Flow Statement

for the year ended 30 June 2009

Notes		Year ended 30 June 2009 £'000	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000	Year ended 30 June 2008 £'000
24	**Net cash inflow from operating activities**		**28,416**		27,017
	Servicing of finance				
	Debenture interest paid	**(4,265)**		(4,265)	
	Bank and loan interest paid	**(259)**		(317)	
	Dividends paid on preference and preferred ordinary stocks	**(157)**		(178)	
	Net cash outflow from servicing of finance		**(4,681)**		(4,760)
	Taxation				
	Withholding tax recovered	**2**		16	
	Net tax recovered		**2**		16
	Financial investment				
	Purchases of investments	**(68,380)**		(84,242)	
	Sales of investments	**79,913**		65,848	
	Net cash inflow/(outflow) from financial investment		**11,533**		(18,394)
	Equity dividends paid		**(25,309)**		(23,363)
	Management of liquid resources				
	Cash withdrawn from deposit	**–**		8,201	
	Net cash inflow from liquid resources		**–**		8,201
	Net cash inflow/(outflow) before financing		**9,961**		(11,283)
	Financing				
	Proceeds from issue of ordinary shares	**2,527**		–	
	Expenses paid in respect of issue of ordinary shares	**(37)**		–	
	Repurchase of preference shares	**–**		(455)	
	(Decrease)/increase in loans	**(11,956)**		13,956	
	Repurchase of ordinary shares	**(110)**		(1,920)	
	Net cash (outflow)/inflow from financing		**(9,576)**		11,581
26	**Increase in cash**		**385**		298

The notes on pages 33 to 48 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) Basis of accounting

The financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice ("the SORP") for investment trusts issued by the Association of Investment Companies ("the AIC") in January 2009. All of the Company's operations are of a continuing nature.

b) Valuation of investments

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

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

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "Gains or 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.

c) 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 balance sheet date are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to 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.

d) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of the directors, the dividend is capital in nature in which case it is taken to the capital return. Income from fixed interest debt securities and preference shares is recognised using the effective interest rate method in accordance with the SORP. Bank interest and stock lending income 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.

Underwriting commission is recognised as it is earned. Where the Company enters into a commitment to underwrite an issue of securities, a derivative financial instrument is recognised at fair value. The derivative is re-measured to fair value, with the related gains and losses being reflected in the Income Statement. Commissions in respect of underwriting are recognised when the underwritten issue closes and are generally recognised within the Income Statement as revenue. Where, however, the Company is required to take up a proportion of the shares underwritten, the same proportion of the commission received is recognised as capital, with the balance recognised as revenue.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

e) Management and administrative expenses and finance charges

All expenses 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 gains and 30% to income, the Company charges to capital 70% of the finance costs (excluding dividends payable on the preference and preferred ordinary stocks) and management fees. Performance fees earned are allocated between capital and revenue based on the outperformance attributable to capital and revenue respectively.

f) Taxation

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 balance sheet date other than those differences regarded as permanent. 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. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

g) Borrowings

Interest bearing bank loans, overdrafts and debentures are recorded when the proceeds are received, net of direct issue costs. Finance charges, including interest payable, premiums 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.

h) Preference stocks

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

i) Dividends payable to equity shareholders

Under FRS 21 dividends should not be accrued in the accounts unless they have been approved by shareholders before the balance sheet date. Interim dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds once they have been paid to shareholders.

j) Issue and repurchase of ordinary shares and associated costs

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

Notes to the Financial Statements

continued

2	**Losses from investments held at fair value through profit or loss**	**2009 £'000**	2008 £'000
	(Losses)/gains based on the sale of investments based on historical cost	**(52,644)**	29,346
	Less: revaluation gains recognised in previous years	**(8,542)**	(31,736)
	Losses on investments sold in the year based on carrying value at the previous balance sheet date	**(61,186)**	(2,390)
	Revaluation of investments held at 30 June	**(79,255)**	(146,970)
	Exchange gains/(losses)	**15**	(15)
	Total losses from investments held at fair value through profit or loss	**(140,426)**	(149,375)

3	**Income from investments held at fair value through profit or loss**	**2009 £'000**	2008 £'000
	Franked UK dividends:		
	Listed	**24,806**	27,790
	Listed – special dividends	**70**	261
		24,876	28,051
	Unfranked – listed investments:		
	Interest from UK convertibles	**426**	–
	Dividend income – overseas investments	**2,739**	2,005
	Special dividends	**77**	106
	Stock dividends	**256**	–
		3,498	2,111
		28,374	30,162

4	**Other interest receivable and similar income**	**2009 £'000**	2008 £'000
	Bank interest	**7**	161
	Underwriting commission (allocated to revenue)*	**106**	70
	Stock lending	**36**	34
	Interest on VAT refund (see note 23)	**828**	–
		977	265

At 30 June 2009 the total value of securities on loan by the Company for stock lending purposes was £nil (2008: £26,705,000). The maximum aggregate value of securities on loan during the year ended 30 June 2009 was £36,207,000 (2008: £82,396,000).

*The Company was not required to take up any shares in respect of its underwriting commitments in this or the previous financial year.

Notes to the Financial Statements

continued

		Year ended 30 June 2009			Year ended 30 June 2008		
		Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
5	**Management and performance fees**						
	Management fee	**436**	**1,018**	**1,454**	577	1,346	1,923
	Write-back of VAT (see note 23)	**(538)**	**(410)**	**(948)**	(428)	(1,213)	(1,641)
		(102)	**608**	**506**	149	133	282

No performance fee was payable in respect of the year ended 30 June 2009 (2008: £nil).

A summary of the terms of the Management Agreement is given on pages 16 and 17 in the Report of the Directors. Details of apportionment between revenue and capital can be found in note 1(e) on page 34. For details on the VAT refund on management fees, see note 23 on page 47.

		2009 £'000	2008 £'000
6	**Other administrative expenses**		
	Directors' emoluments (see Directors' Remuneration Report on page 28)	**140**	119
	Auditor's remuneration for audit services	**25**	21
	Product administration services (Share Plan and ISA)	**7**	24
	Bank charges (loan facility fees)	**88**	22
	Annual and Half Year Reports	**76**	77
	Registrar's fees	**62**	60
	AIC	**39**	42
	Listing fees	**30**	32
	Advisory and consultancy fees	**27**	44
	Other expenses	**41**	43
		535	484

		Year ended 30 June 2009			Year ended 30 June 2008		
		Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
7	**Finance charges**						
	Interest on debentures repayable wholly or partly after five years	**1,280**	**2,985**	**4,265**	1,280	2,985	4,265
	Bank loan and other interest	**73**	**172**	**245**	99	232	331
	Dividends on preference and preferred ordinary stocks	**157**	**–**	**157**	168	–	168
		1,510	**3,157**	**4,667**	1,547	3,217	4,764

Details of apportionment between revenue return and capital return can be found in note 1(e) on page 34.

Notes to the Financial Statements

continued

8	**Taxation**	**Year ended 30 June 2009** Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 June 2008 Revenue return £'000	Capital return £'000	Total £'000
a)	**Analysis of tax charge for the year**						
	Overseas withholding tax	**184**	**–**	**184**	194	–	194
	Less: overseas withholding tax recoverable	**(58)**	**–**	**(58)**	(15)	–	(15)
		126	**–**	**126**	179	–	179

b)	**Factors affecting the tax charge for the year**	**Year ended 30 June 2009** Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 June 2008 Revenue return £'000	Capital return £'000	Total £'000
	Return/(loss) on ordinary activities before taxation	**27,408**	**(144,191)**	**(116,783)**	28,247	(152,725)	(124,478)
	Corporation tax at 28% (2008: 29.5%)	**7,674**	**(40,374)**	**(32,700)**	8,333	(45,053)	(36,720)
	Effects of:						
	Non-taxable UK dividends	**(6,965)**	**–**	**(6,965)**	(8,253)	–	(8,253)
	Non-taxable stock dividends and other income	**(102)**	**–**	**(102)**	(22)	–	(22)
	Overseas tax suffered	**126**	**–**	**126**	179	–	179
	Tax relief on prior years' revenue return expenses	**(651)**	**–**	**(651)**	(115)	–	(115)
	Preference and preferred ordinary dividends not allowable for tax	**44**	**–**	**44**	50	–	50
	Disallowable expenses	**–**	**–**	**–**	7	–	7
	Other capital losses	**–**	**40,374**	**40,374**	–	45,053	45,053
		126	**–**	**126**	179	–	179

Investment trusts are exempt from corporation tax on capital gains provided that the Company obtains agreement from HMRC in respect of each year that tests under Section 842 of the Income and Corporation Taxes Act 1988 have been met.

c) Deferred taxation

No provision for deferred taxation has been made in the current or prior accounting period.

d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £19,130,000 (2008: £18,615,000) arising as a result of having unutilised management expenses and eligible unrelieved foreign tax. 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.

Notes to the Financial Statements

continued

9 Loss per ordinary share – basic

The loss per ordinary share is based on the net loss attributable to the ordinary shares of £116,909,000 (2008: loss of £124,657,000) and on 207,522,950 ordinary shares (2008: 207,428,815), being the weighted average number of ordinary shares in issue during the year.

The return per ordinary share can be further analysed between revenue and capital, as below.

	2009 £'000	2008 £'000
Net revenue return	**27,282**	28,068
Net capital loss	**(144,191)**	(152,725)
Net total loss	**(116,909)**	(124,657)
Weighted average number of ordinary shares in issue during the year	**207,522,950**	207,428,815
Revenue return per ordinary share	**13.15p**	13.53p
Capital loss per ordinary share	**(69.49p)**	(73.63p)
Total loss per ordinary share	**(56.34p)**	(60.10p)

The Company does not have any dilutive securities.

10 Dividends paid on the ordinary shares

	Record date	Payment date	**2009 £'000**	2008 £'000
Fourth interim dividend (2.62p) for the year ended 30 June 2007	27 July 2007	31 August 2007	**–**	5,446
First interim dividend (2.84p) for the year ended 30 June 2008	26 October 2007	30 November 2007	**–**	5,895
Second interim dividend (2.84p) for the year ended 30 June 2008	25 January 2008	28 February 2008	**–**	5,887
Third interim dividend (2.96p) for the year ended 30 June 2008	25 April 2008	30 May 2008	**–**	6,135
Fourth interim dividend (2.96p) for the year ended 30 June 2008	25 July 2008	29 August 2008	**6,134**	–
First interim dividend (3.08p) for the year ended 30 June 2009	24 October 2008	28 November 2008	**6,382**	–
Second interim dividend (3.08p) for the year ended 30 June 2009	23 January 2009	27 February 2009	**6,382**	–
Third interim dividend (3.08p) for the year ended 30 June 2009	24 April 2009	29 May 2009	**6,411**	–
			25,309	23,363

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

Notes to the Financial Statements

continued

10 Dividends on ordinary shares (continued)

The total dividends payable in respect of the financial year which form the basis of Section 842 of the Income and Corporation Taxes Act 1988 are set out below.

	2009 £'000
Revenue available for distribution by way of dividend for the year	**27,282**
First interim dividend (3.08p)	**(6,382)**
Second interim dividend (3.08p)	**(6,382)**
Third interim dividend (3.08p)	**(6,411)**
Fourth interim dividend (3.08p) paid on 28 August 2009†	**(6,422)**
Undistributed revenue for Section 842 purposes*	**1,685**

†Based on 208,519,868 ordinary shares in issue at 24 July 2009.
*Undistributed revenue represents 6.0% of income from investments.

11 Investments held at fair value through profit or loss

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
Valuation at 1 July 2008	378	626,344	**626,722**
Investment holding gains at 1 July 2008	(31)	(150,447)	**(150,478)**
Cost at 1 July 2008	347	475,897	**476,244**
Additions at cost	–	68,185	**68,185**
Disposals at cost	–	(134,439)	**(134,439)**
Cost at 30 June 2009	347	409,643	**409,990**
Investment holding gains at 30 June 2009	31	62,650	**62,681**
Valuation at 30 June 2009	378	472,293	**472,671**

Purchase transaction costs for the year ended 30 June 2009 were £208,000 (2008: £449,000), these comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 June 2009 were £107,000 (2008: £103,000).

12 Subsidiary undertakings

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

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

The City of London European Trust Limited was incorporated in 1899 as Patrick & McGregor, Limited and is dormant, not having traded since 1968. The aggregate amount of the capital and reserves of The City of London European Trust Limited at 30 June 2009 was £347,000 (2008: £347,000).

Notes to the Financial Statements

continued

12 Subsidiary undertakings (continued)

City of London Investments Limited is a dormant company and has not traded since its incorporation in 1982. The aggregate amount of the capital and reserves of City of London Investments Limited at 30 June 2009 was £2 (2008: £2).

The City of London Finance Company Limited is a share dealing company and the aggregate amount of the capital and reserves at 30 June 2009 was £31,000 (2008: £31,000). The audited accounts of The City of London Finance Company Limited for the year ended 30 June 2009 show a net profit after taxation for the year of £nil (2008: £nil).

13 Debtors

	2009 £'000	2008 £'000
Sales for future settlement	**1,882**	–
Withholding and income tax recoverable	**393**	184
Prepayments and accrued income	**4,178**	4,003
Prior years' VAT recoverable	**714**	1,641
	7,167	5,828

14 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Purchases for future settlement	**–**	451
Bank loans and overdrafts	**2,000**	13,956
Amounts owed to subsidiary undertakings	**353**	353
Dividends payable on preference and preferred ordinary stocks	**79**	79
Accruals	**1,875**	1,942
	4,307	16,781

The Company had a committed short term loan facility of £30,000,000 at 30 June 2009 (2008: £30,000,000) which expired in July 2009. Interest on this facility was payable at a rate of LIBOR +0.95% at 30 June 2009 (2008: LIBOR +0.65%). Standard commercial covenants, relating amongst other things to a maximum level of borrowings and maximum value of any single investment, apply to the Company's loan facility. A breach of these covenants may result in any loan drawn down becoming repayable immediately.

15 Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
11½% debenture stock 2014	**6,000**	6,000
10¼% debenture stock 2020	**10,000**	10,000
8½% debenture stock 2021	**30,000**	30,000
£301,982 (2008: £301,982) 4.2% (formerly 6%) cumulative first preference stock	**302**	302
£507,202 (2008: £507,202) 4.2% (formerly 6%) non-cumulative second preference stock	**507**	507
£589,672 (2008: £589,672) 14% (formerly 20%) non-cumulative preferred ordinary stock	**590**	590
	47,399	47,399

All of the Company's redeemable financial liabilities at 30 June 2009 mature in more than five years.

Notes to the Financial Statements

continued

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

The repayment terms of the debenture stocks are as follows:

£6,000,000 11½% debenture stock 2014 redeemable at par on 31 December 2014.
£10,000,000 10¼% debenture stock 2020 redeemable at par on 30 April 2020.
£30,000,000 8½% debenture stock 2021 redeemable at par on 31 January 2021.

The debentures are secured by a first floating charge on the whole of the undertaking of the Company; the security charge applies pari passu to all three issues.

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

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

Notes:

(i) The dividend entitlements of the First Preference Stock and the Preferred Ordinary Stock reverted on 6 April 1999 to the rates which applied before 6 April 1973.

(ii) In the event of a winding-up, the Preferred Ordinary Stock would be repaid at £3.50 per £1 of stock. However, its share of shareholders' funds is included in the accounts at par because no winding-up is envisaged.

(iii) The voting rights of the ordinary shareholders, on a poll, are one vote per 15 shares held.

Notes to the Financial Statements

continued

16 Risk management policies and procedures

As an investment trust the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on page 14. In pursuing its investment objective and policy, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

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

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

16.1 Market risk

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

16.1.1 Market price risk

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

Management of the risk

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

When appropriate, the Company may manage its exposure to risk by buying/selling put or call options or futures on indices and on equity investments in its portfolio. At 30 June 2009 the Company did not have any open positions (2008: £nil).

Concentration of exposure to market price risk

An analysis of the Company's investment portfolio is shown on pages 10 and 11. This shows that the majority of the Company's investments are in UK listed companies. Accordingly, there is a concentration of exposure to the UK, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

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

Notes to the Financial Statements
continued

16 Risk management policies and procedures (continued)

The impact of a 10% increase in the value of the investments on the revenue return as at 30 June 2009 is a decrease of £35,000 (2008: £47,000) and on the capital return is an increase of £47,146,000 (2008: £62,524,000).

The impact of a 10% decrease in the value of the investments on the revenue return as at 30 June 2009 is an increase of £35,000 (2008: £47,000) and on the capital return is a decrease of £47,146,000 (2008: £62,524,000).

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.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 30 June 2009 are £71,000 (2008: £15,000).

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 £252,000 (2008: £248,000) if Sterling strengthens and £207,000 (2008: £203,000) if Sterling weakens. The 10% movement has been based on average market volatility in exchange rates in the previous 12 months.

16.1.3 Interest rate risk

Interest rate movements may affect:

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

Management of the risk

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

Interest rate exposure

The Company's exposure at 30 June 2009 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 balance sheet under cash at bank and under bank loans and overdrafts in note 14.

Interest receivable and finance costs are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts, is at a margin linked to LIBOR (2008: same)
- Interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR for the type of loan. The weighted average interest rate of these is 4.8% as at 30 June 2009 (2008: 6.0%).

Notes to the Financial Statements

continued

16 Risk management policies and procedures (continued)

The table below analyses the Company's contractual liabilities

	30 June 2009 Within 1 year £'000	**30 June 2009** Between 1 and 5 years £'000	**30 June 2009** More than 5 years £'000	30 June 2008 Within 1 year £'000	30 June 2008 Between 1 and 5 years £'000	30 June 2008 More than 5 years £'000
Debenture stocks*	**4,265**	**17,060**	**69,100**	4,265	17,060	73,365
Preference stock and preferred ordinary stock†	**157**	**628**	**1,399**	157	628	1,399
Bank loans and interest	**2,000**	**–**	**–**	13,982	–	–
Other creditors and accruals	**2,307**	**–**	**–**	2,811	–	–
	8,729	**17,688**	**70,499**	21,215	17,688	74,764

*The above figures show interest payable over the remaining terms of the three debenture stocks. The figures in the "more than 5 years" column also include the capital to be repaid.

†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 are 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 the Manager 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 2009, based on the earliest date on which payment can be required, is given in the table above.

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 Portfolio Manager, and limits are set on the amount that may be due from any one broker

– cash at bank is held only with reputable banks with high quality external credit ratings.

In summary, the exposure to credit and counterparty risk at 30 June 2009 was to cash at bank of £750,000 (2008: £350,000) and to other receivables of £7,167,000 (2008: £5,828,000) (see note 13).

Notes to the Financial Statements

continued

16 Risk management policies and procedures (continued)

16.4 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are either carried in the balance sheet at their fair value or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts and amounts due under the multi-currency loan facility). At 30 June 2009 the aggregate fair value of the debenture stocks was £59,748,000 (2008: £56,103,000) and the aggregate fair value of the preferred and preference stock was £2,105,000 (2008: £2,282,000). The debenture stock, preference stock and preferred ordinary stock are carried in the balance sheet at par.

16.5 Capital management policies and procedures

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

The Company's capital is its equity share capital and reserves that are shown in the balance sheet and loans (see note 14), preference shares and debentures (see note 15) at a total of £478,281,000 (2008: £630,075,000).

The Company is subject to several externally imposed capital requirements:

– borrowings under the loan facility are not to exceed 25% of the adjusted portfolio value

– 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.

17 Called up share capital

	Shares in issue (excluding treasury shares)	Shares held in treasury	Total shares in issue	Nominal value of total shares in issue £'000
Allotted, issued and fully paid ordinary shares of 25p each				
At 30 June 2008	207,266,778	308,090	207,574,868	51,894
Repurchased and held in treasury	(50,000)	50,000	–	–
Sold out of treasury	358,090	(358,090)	–	–
Allotment of new shares	945,000	–	945,000	236
At 30 June 2009	**208,519,868**	**–**	**208,519,868**	**52,130**

During the year, the Company repurchased 50,000 ordinary shares at a total cost of £110,000 which were held in treasury. The Company subsequently sold all 358,090 shares out of treasury with total proceeds of £670,000 and allotted a further 945,000 ordinary shares with total proceeds of £1,857,000. The average price of the shares that were issued was 194p.

18 Share premium account

	2009 £'000	2008 £'000
At beginning of year	**35,309**	35,309
Issue of shares	**1,621**	–
Issue expenses incurred	**(37)**	–
At end of year	**36,893**	35,309

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	Total £'000
At 1 July 2008	2,218	150,478	302,942	455,638
Buy-back of preference stock in 2008*	489	–	(489)	–
At 1 July 2008 (adjusted)	2,707	150,478	302,453	455,638
Transfer on disposal of investments	–	(8,542)	8,542	–
Net losses on fixed asset investments	–	(79,255)	(61,186)	(140,441)
Exchange gains	–	–	15	15
Management fees charged to capital	–	–	(1,018)	(1,018)
Write-back of VAT	–	–	410	410
Finance costs charged to capital	–	–	(3,157)	(3,157)
Buy-backs of ordinary shares	–	–	(110)	(110)
Sale of treasury shares	–	–	670	670
At 30 June 2009	**2,707**	**62,681**	**246,619**	**312,007**

*Represents the nominal value of the £488,949 4.2% non-cumulative second preference stock that was repurchased and cancelled in the year to 30 June 2008.

20 Revenue reserve	£'000
At 1 July 2008	25,879
Net revenue for the year	27,282
Dividends paid (note 10)	(25,309)
At 30 June 2009	**27,852**

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 £428,882,000 (2008: £568,720,000) and on 208,519,868 (2008: 207,266,778) shares in issue on 30 June 2009.

An alternative net asset value per ordinary share can be calculated by deducting from the total assets less current liabilities of the Company the preference and preferred ordinary stocks and the debenture stocks at their market (or fair) values rather than at their par (or book) values. The net asset value per ordinary share at 30 June 2009 calculated on this basis was 198.75p (2008: 269.09p).

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 2008	**568,720**
Total net loss on ordinary activities after taxation	**(116,909)**
Dividends paid on ordinary shares in the year	**(25,309)**
Buy-backs of ordinary shares	**(110)**
Sale of treasury shares	**670**
Issue of shares	**1,857**
Issue expenses incurred	**(37)**
Total net assets attributable to the ordinary shares at 30 June 2009	**428,882**

Notes to the Financial Statements

continued

22 Contingent liabilities

There were contingent liabilities in respect of sub-underwriting participations as at 30 June 2009 of £7,606,000 (2008: £1,242,000). Subsequent to the year end, the Company was not required to take up any shares in respect of these underwriting commitments (2008: same).

23 VAT on management fees

In 2004 the Association of Investment Companies (the "AIC"), together with JPMorgan Claverhouse Investment Trust plc, launched a case against HM Revenue & Customs ("HMRC") to challenge whether Value Added Tax ("VAT") should be charged on fees paid for management services provided to investment trust companies. On 28 June 2007 the European Court of Justice delivered its judgment on the case in favour of the AIC. Since then, HMRC has accepted that the provision of investment management services to investment trust companies is VAT exempt and has acknowledged its liability to pay claims in respect of VAT borne by investment companies. The Manager submitted reclaims to HMRC for the amount of VAT charged to the Company in respect of investment management services from 1 January 1990 to 30 June 2007. In the accounts for the year to 30 June 2008 an amount of £1,641,000 was recognised in respect of the anticipated reclaim for the period from 1 October 2000 to 30 June 2007.

The Company received £1,876,000 in February 2009 in settlement of the reclaim for the 2000-2007 period, so a further £235,000 has therefore been recognised in these financial statements in respect of that reclaim. This write back has been allocated between revenue return and capital return according to the allocation of the amounts originally paid.

During the year under review, the Company also received £317,000 of interest payment in respect of the 2000 – 2007 reclaim. This is included in "Other interest receivable and similar income" in the Income Statement.

Since year end, the Company has received £713,000 in respect of VAT charged on investment management fees during the period from 1 January 1990 to 4 December 1996. This write back has also been allocated between revenue return and capital return according to the allocation of the amounts originally paid. In addition, an amount of £511,000 in respect of interest on this reclaim, has been received and recognised in the Income Statement.

The possibility of recovering any VAT paid on management fees during the period from 5 December 1996 to 30 September 2000 is remote and consequently there is no recognition of VAT reclaims for that period in these financial statements.

VAT has not been applied to investment management fees invoiced since June 2007.

24 Reconciliation of operating revenue to net cash inflow from operating activities

	2009 £'000	2008 £'000
Total loss before finance charges and taxation	**(112,116)**	(119,714)
Add: capital loss before finance charges and taxation	**141,034**	149,508
Net revenue return before finance charges and taxation	**28,918**	29,794
Increase in prepayments and accrued income	**(175)**	(477)
Decrease/(increase) in other debtors	**927**	(1,641)
Decrease in other creditors and accruals	**(53)**	(163)
Management fees taken to capital (net of VAT refund)	**(608)**	(133)
Tax deducted at source	**(337)**	(363)
Stock dividends	**(256)**	–
	28,416	27,017

Notes to the Financial Statements

continued

25 Analysis of changes in net debt	1 July 2008 £'000	Cash flow £'000	Exchange movements £'000	30 June 2009 £'000
Net cash:				
Cash at bank	350	385	15	**750**
Liquid resources:				
Debts falling due within one year	(13,956)	11,956	–	**(2,000)**
Debts falling due after more than one year	(47,399)	–	–	**(47,399)**
Net debt	(61,005)	12,341	15	**(48,649)**

26 Reconciliation of net cash flow to movement in net debt	2009 £'000	2008 £'000
Increase in cash as shown on cash flow statement	**385**	298
Cash inflow from movement in liquid resources	**–**	(8,201)
Net decrease/(increase) in loans and preference shares	**11,956**	(13,501)
Change in net debt resulting from cash flows	**12,341**	(21,404)
Non cash movements	**–**	34
Exchange gains/(losses)	**15**	(15)
Movement in net debt in the year	**12,356**	(21,385)
Net debt at the begining of the year	**(61,005)**	(39,620)
Net debt at 30 June	**(48,649)**	(61,005)

27 Related party transactions

Under the terms of an agreement dated 20 March 1995 the Company has appointed subsidiaries of Henderson Group plc ("Henderson") to provide investment management, accounting, secretarial, administrative and UK custody services. Henderson has contracted BNP Paribas Securities Services to provide accounting, administrative and custody services. The fee arrangements for these services are given in the Report of the Directors on pages 16 and 17. The total of the fees paid or payable to Henderson under this agreement in respect of the year ended 30 June 2009 was £1,454,000 (2008: £1,923,000). The amount outstanding at 30 June 2009 was £348,000 (2008: £437,000).

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

In addition to the above services, Henderson has provided the Company with share plan administration and marketing services during the year. The total fees paid or payable for these services for the year ended 30 June 2009 amounted to £7,000, including VAT (2008: £24,000), of which £9,000 was outstanding at 30 June 2009 (2008: £12,000).

Details of fees paid to directors are included in the Directors' Remuneration Report on page 28 and in note 6 on page 36.

Independent Auditors' Report

to the Members of The City of London Investment Trust plc

We have audited the financial statements of The City of London Investment Trust plc for the year ended 30 June 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 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.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of its net loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 15, in relation to going concern; and
- the parts of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Marcus Hine (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 September 2009

A Brief History

The Company was formed as City of London Brewery Company Limited in 1860 to acquire Calverts, a family brewing business at Upper Thames Street in the City of London. The brewery had extensive interests in the licensed premises trade. In 1932 the name was changed to The City of London Brewery and Investment Trust Limited, parts of the business having been sold and the proceeds invested in securities according to investment trust principles. In 1968 the remaining part of the brewery business was sold and the Company concentrated exclusively on investments in securities.

In 1970 the Company appointed Touche, Remnant & Co. as Investment Manager and in 1982 the name was changed to TR City of London Trust PLC. In 1992 Touche, Remnant & Co. was acquired by Henderson Administration Group plc (now Henderson Global Investors (Holdings) plc). Henderson Global Investors (Holdings) plc was acquired by AMP in the spring of 1998. In December 2003 Henderson Group plc, the holding company of Henderson Global Investors (Holdings) plc, was demerged from AMP and is quoted on the London and Australian Stock Exchanges. Henderson Group plc is a constituent of the FTSE 250 Index. Since 31 October 2008 Henderson Group plc has been incorporated in Jersey and tax-resident in the Republic of Ireland.

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

Had the Company not re-registered in 1891, the Annual General Meeting for 2009 would be the 149th rather than the 117th.

Dates of Dividend and Interest Payments

Dividends

Ordinary shares:

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

Preference and preferred ordinary stocks:

- payable on 28 February and 31 August.

Debenture interest

11½% debenture stock 2014:

- payable on 30 June and 31 December

10¼% debenture stock 2020:

- payable on 30 April and 31 October

8½% debenture stock 2021:

- payable on 31 January and 31 July.

Glossary of Terms

AIC
The Association of Investment Companies.

Benchmark
From 1 July 2005 the Total Return of the FTSE All-Share Index – adjusted for a maximum 4% cap for any single stock ("FTSE All-Share Index – 4% capped"). Previously the FTSE All-Share Index Total Return.

Gearing
The gearing percentage reflects the amount of borrowings (ie bank loans and debentures) the Company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall.

There are several methods of calculating gearing and the following has been selected:

The difference between quoted investments and equity shareholders' funds divided by equity shareholders' funds and multiplied by 100.

Investment Trusts
Investment trusts are public limited companies, quoted 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.

Net Asset Value (NAV) Per Ordinary Share
The value of the Company's assets (ie investments and cash held) less any liabilities (ie bank loans and debentures) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Balance Sheet. The NAV is published daily.

NAV per Ordinary Share (with debt at market value)
This is where the NAV is calculated by attributing market (also called "fair") values to the preference/preferred ordinary stocks and the debenture stocks rather than their par (or "book") values. The market values of these, and in particular the debentures, are higher than the par values due to the high coupon or interest rates they pay relative to the current interest rates in the market. Using a higher value for these liabilities reduces the NAV per share.

Performance Attribution Analysis
A performance attribution analyses how the Company achieved its recorded performance relative to its benchmark. This is broken down to show the effect of stock selection, gearing, expenses and changes in share capital made during the year. In a falling market, the gearing effect will have a negative contribution to performance, whereas in a rising market it will have a positive contribution.

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

Total Expense Ratio
This is the total expenses (excluding VAT write-back) incurred by the Company, including those charged to capital, expressed as a percentage of the average shareholders' funds over the year. We have shown separately the percentage of management/other expenses and the performance fee (when applicable).

Total Returns
This is the return on the share price or NAV taking into account both the rise and fall of share prices and the 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 total return). This is the same calculation shown as the value of £1,000 with net income reinvested on page 4.

Website
Further information on the Company can be found at **www.cityinvestmenttrust.com**

General Shareholder Information

Release of Results
Half year results are announced in February. Full year results are announced in August/September.

Annual General Meeting
The AGM is held in London in October.

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

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

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

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

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

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

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

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

ISIN/SEDOL number
The ISIN code/SEDOL (Stock Exchange Daily Official List) number of the Company's shares is GB0001990497. The mnemonic code is CTY.

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

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

Warning to Shareholders

Shareholders should be wary of unsolicited telephone calls or correspondence concerning the Company and offering investment advice, offers to buy shares at a discount or free company reports.

It is extremely unlikely that The City of London Investment Trust plc, its Manager (Henderson Global Investors) or its Registrar (Computershare Investor Services) would make unsolicited telephone calls to shareholders. In the event that the Company or its advisers did make unsolicited calls, shareholders would never be asked to confirm their personal details and such calls would relate only to official documentation already circulated to shareholders and never be in respect of offering investment advice, or unpublished investment or financial information regarding the Company.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Company Secretary at the telephone number provided on the inside back cover.

Notice of Annual General Meeting

Notice is hereby given that the 117th Annual General Meeting of The City of London Investment Trust plc (the "Company") will be held at 201 Bishopsgate, London EC2M 3AE, on Thursday 15 October 2009 at 3.00 pm for the transaction of the following:

Ordinary Business

1 To receive the Report of the Directors and the Audited Financial Statements for the year ended 30 June 2009.

2 To approve the Directors' Remuneration Report for the year ended 30 June 2009.

3 To re-elect Miss Anita Frew as a director of the Company.

4 To re-elect Mr Simon de Zoete as a director of the Company.

5 To re-elect Sir Keith Stuart as a director of the Company.

6 To elect Mr David Brief as a director of the Company.

7 To confirm the appointment of PricewaterhouseCoopers LLP as auditor to the Company.

8 To authorise the directors to determine the auditor's remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions:

as an Ordinary Resolution:

9 THAT in substitution for all existing authorities the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551) up to an aggregate nominal amount of £2,607,747 (being 5 per cent. of the issued ordinary share capital at the date of this notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2010, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement.

as a Special Resolution:

10 THAT in substitution for all existing authorities and subject to the passing of resolution 9 the directors be empowered pursuant to section 570 and/or section 573 of the Companies Act 2006 ("the Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 9 as if section 561 of the Act did not apply to the allotment and to sell relevant shares (within the meaning of section 560 of the Act) held by the Company immediately before the sale as treasury shares (as defined in section 724 of the Act) for cash as if section 561 of the Act did not apply to any such sale. This power:

(a) expires at the end of the next Annual General Meeting of the Company in 2010, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot equity securities in pursuance of that offer or agreement; and

(b) shall be limited to allotments of equity securities and/or the sale of shares held in treasury for cash up to an aggregate nominal amount equal to £2,607,747 (being 5 per cent. of the issued ordinary share capital at the date of this notice).

as a Special Resolution:

11 THAT the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693 of the Act) of ordinary shares of 25p each in the capital of the Company ("Ordinary Shares"), provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99% of the Company's issued ordinary share capital at the date of the Annual General Meeting (not to exceed 31,272,105 Ordinary Shares, the equivalent of 14.99% of the Company's issued share capital at the date of this notice);

(b) the minimum price which may be paid for an Ordinary Share is 25p, being the nominal value per ordinary share;

(c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent

Notice of Annual General Meeting

continued

of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased or such other amount as may be specified by the UK Listing Authority from time to time;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2010;

(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract; and

(f) any Ordinary Shares so purchased shall be cancelled or, if the directors so determine, be held as treasury shares.

as a Special Resolution:

12 THAT the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693 of the Act) of the Company's 4.2% cumulative first preference stock ("the First Preference Stock"), 4.2% non-cumulative second preference stock ("the Second Preference Stock") and 14% non-cumulative preferred ordinary stock ("the Preferred Ordinary Stock") (together "the Preferred Stock"), provided that:

(a) the maximum amount of Preferred Stock hereby authorised to be purchased is the entire issued capital amount of each such class of Preferred Stock as at the date of this resolution, being:

(i) £301,982 of First Preference Stock;

(ii) £507,202 of Second Preference Stock; and

(iii) £589,672 of Preferred Ordinary Stock;

(b) the minimum price (exclusive of expenses) which may be paid for each £1 of capital of Preferred Stock is 1p;

(c) the maximum price (exclusive of expenses) which may be paid for each £1 of capital of Preferred Stock is an amount equal to 110% of the prevailing middle market quotation for £1 of capital of the relevant Preferred Stock taken from the London Stock Exchange Daily Official List for the business day immediately preceding the day on which such stock is purchased;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2010; and

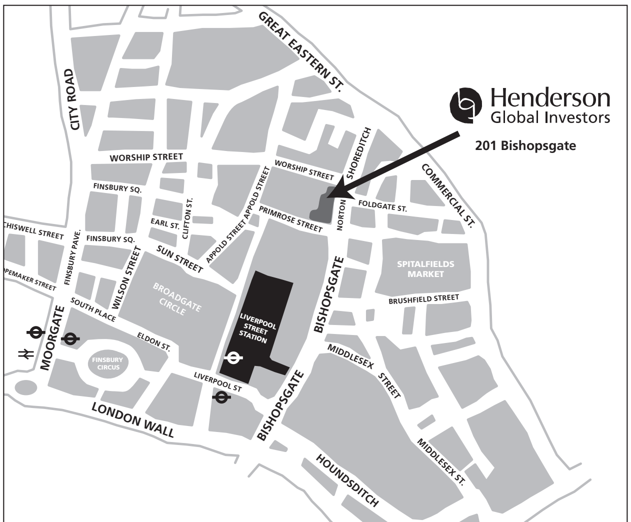
(e) the Company may make a contract to purchase any class of Preferred Stock under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Preferred Stock pursuant to any such contract.

as a Special Resolution:

13 THAT a general meeting, other than an annual general meeting, may be called on not fewer than 14 clear days' notice.

By order of the Board
D J Trickett ACIS
For and on behalf of
Henderson Secretarial Services Limited, Secretary
8 September 2009

Annual General Meeting Venue



Henderson Global Investors,
201 Bishopsgate, London EC2M 3AE

Notice of Annual General Meeting

continued

Explanatory Notes to the Notice of Annual General Meeting

Resolutions 1 to 9 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 10 to 13 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

1 Voting record date

Only members registered in the Register of Members of the Company at close of business on 13 October 2009 shall be entitled to attend and vote at the AGM in respect of the number of voting rights registered in their name at that time. Changes to entries on the Register of Members after close of business on 13 October 2009 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

In the case of joint holders of a voting right, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

2 Rights to attend and vote

The rights of members to attend and vote at the forthcoming Annual General Meeting or at any adjournment(s) thereof are as follows:

a) Holders of **Ordinary Shares** are entitled to attend and vote on a poll or on a show of hands. On a poll holders of Ordinary Shares have one vote for every 15 shares.

b) Holders of **Cumulative First Preference Stock** are entitled to attend and vote on a poll or on a show of hands. On a poll holders of Cumulative First Preference Stock have one vote for every £10 of stock held.

c) Holders of **Preferred Ordinary Stock** are entitled to attend and vote on a poll or on a show of hands. On a poll holders of Preferred Ordinary Stock have one vote for every £20 of stock held.

d) Holders of **Non-cumulative Second Preference Stock** have no rights to attend and vote at general meetings of the Company.

3 Right to appoint proxies

Pursuant to section 324 of the Companies Act 2006, a member entitled to attend and vote at the meeting may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by him, or attached to a different £10, or multiple of £10, of stock held by him. A proxy need not be a member of the Company.

A form of proxy is enclosed. The completion of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting.

Section 324 does not apply to persons nominated to receive information rights pursuant to section 146 of the Companies Act 2006. Persons nominated to receive information rights under section 146 of the Companies Act 2006 have been sent this notice of meeting and are hereby informed, in accordance with section 149(2) of the Companies Act 2006, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

4 Proxies' rights to vote at the meeting

On a vote on a show of hands, each proxy has one vote.

If a proxy is appointed by more than one member and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled, on a show of hands, to vote "for" or "against" as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may, on a show of hands, vote both "for" and "against" in order to reflect the different voting instructions.

On a poll all or any of the voting rights of the member may be exercised by one or more duly appointed proxies. However, where a member appoints more than one proxy, section 285(4) of the Companies Act 2006 does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

5 Voting by corporate representatives

Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with section 323 of the Companies Act 2006.

6 Receipt and termination of proxies

A form of proxy is enclosed and to be valid must be lodged with the Company's Registrars (Computershare Investor Services PLC, PO Box 1075, Bristol, BS99 3FA) before 3pm on 13 October 2009.

A member may terminate a proxy's authority at any time before the commencement of the meeting. Termination must be provided in writing and submitted to the Company's registrars (Computershare Investor Services PLC, PO Box 1075, Bristol, BS99 3FA).

7 Electronic receipt of proxies

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in note 6 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the mnner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy

Notice of Annual General Meeting

continued

Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.

8 Questions at the Annual General Meeting

Section 319A of the Companies Act 2006 requires the directors to answer any question raised at the AGM which relates to the business of the meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.

Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

By attending the meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.

9 Website

A copy of the notice of the Annual General Meeting, including these explanatory notes, is included on the Company's website, www.cityinvestmenttrust.com

10 Total voting rights at date of notice

As at 8 September 2009 (being the last practicable date prior to the publication of this Notice) the Company's total voting rights comprised:

a) 208,619,778 Ordinary Shares, representing 13,907,991 votes;

b) £301,982 of Cumulative First Preference Stock, representing 30,198 votes;

c) £589,672 of Preferred Ordinary Stock, representing 29,484 votes.

Therefore the total number of votes in the Company as at 8 September 2009 is 13,967,673.

Registered Office:

201 Bishopsgate, London EC2M 3AE

Directors and Other Information

Directors
Simon de Zoete (Chairman)
David Brief
Anita Frew
Richard Hextall
Sir Keith Stuart

Investment Manager
Henderson Global Investors Limited, authorised and regulated by the Financial Services Authority

Portfolio Manager: Job Curtis

Secretary
Henderson Secretarial Services Limited,
represented by Deborah Trickett, ACIS

Registered Number
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No. 34871

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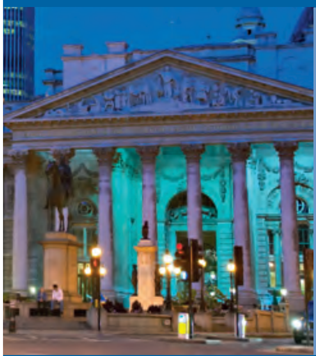
Telephone 0800 832 832

aic
The Association of
Investment Companies



Henderson Global Investors is the appointed Investment Manager
for The City of London Investment Trust plc

Henderson
Global Investors

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