The City of London Investment Trust plc – Annual Report 2020

Annual Report 2020

The City of London Investment Trust plc

54 YEARS CONTINUOUS DIVIDEND GROWTH

aic DIVIDEND HERO

AJBell FT Awards2019 Income - Active

MANAGED BY
Janus Henderson
INVESTORS

JH9224/2020

Strategic Report

Objective

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

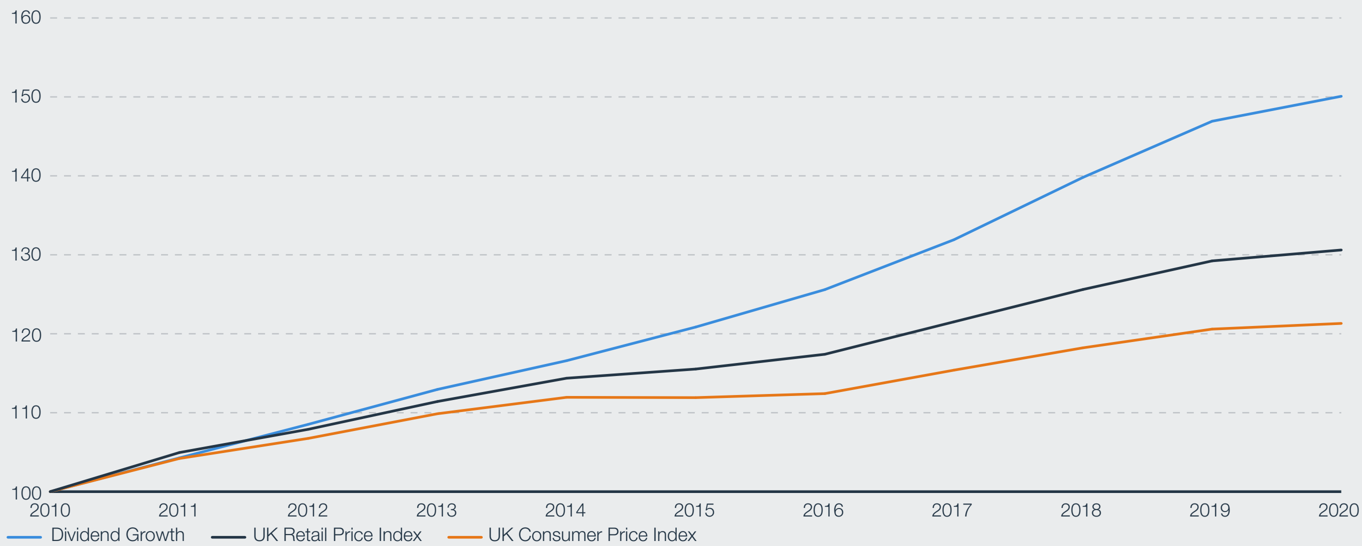
Performance at 30 June

Total Return Performance for year to 30 June 2020

	2020 %	2019 %
NAV[1]	-14.6	2.7
Share price[2]	-16.2	3.0
FTSE All-Share Index (Benchmark)	-13.0	0.6
AIC UK Equity Income sector[3]	-14.3	-0.8
IA UK Equity Income OEIC sector	-13.7	-2.6

Total Return Performance for 10 years to 30 June 2020 (rebased to 100)

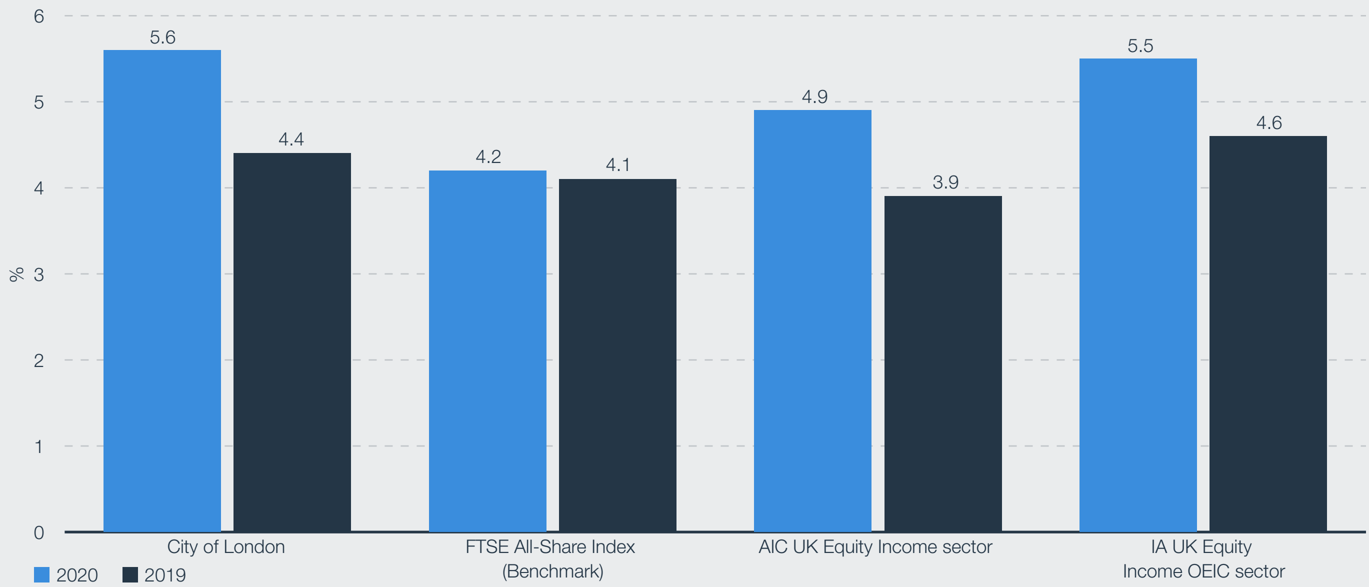
Dividend Growth compared with the Retail Price Index ("RPI") and Consumer Price Index ("CPI") for the ten years to 30 June 2020 (rebased to 100)



Performance at 30 June

	2020	2019
NAV per share	344.0p	421.2p
(Discount)/premium	(1.2)%	1.0%
NAV per share (debt at fair value)	338.7p	416.3p
Premium (debt at fair value)	0.4%	2.2%
Share price	340.0p	425.5p
Gearing at year end	9.7%	7.9%
Revenue earnings per share	15.7p	19.8p
Dividends per share	19.0p	18.6p
Ongoing charge for the year[4]	0.36%	0.39%
Revenue reserve per share	11.0p	15.4p

Dividend Yields



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

Sources: Morningstar for the AIC, Janus Henderson, Refinitiv Datastream

A glossary of terms is on page 85 and Alternative Performance Measures on pages 83 and 84

The City of London Story

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.

Photo credit: Keith Osbourne

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

In 1970, the Company appointed Touche, Remnant & Co. as Investment Manager and in 1982 the name was changed to TR City of London Trust PLC. In 1992, Touche, Remnant & Co. was acquired by Henderson Administration Group plc. The name of the Company was changed to The City of London Investment Trust plc in October 1997.

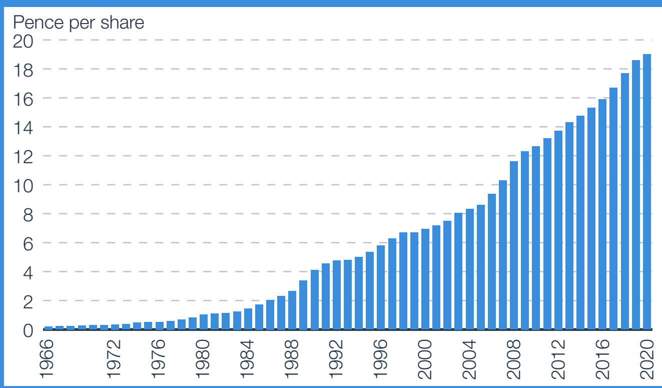
The Company has grown significantly with a strong performance record. Invested mainly in UK equities with a bias towards large, multinational companies through a conservative management style, it prioritises sustainable income and long-term capital growth.

Photo credit: The Brewery History Society (custodians)

The Company has increased its dividend every year since 1966 and this 54 year record is the longest of any investment trust.

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

City of London: 54 Years of Dividend Growth



Source: Janus Henderson

History of income growth

The summer of 1966 was significant for English football fans as it was the first (and most recent) time England won the World Cup. It was also the start of City of London's dividend growth track record which has continued uninterrupted for 54 years.

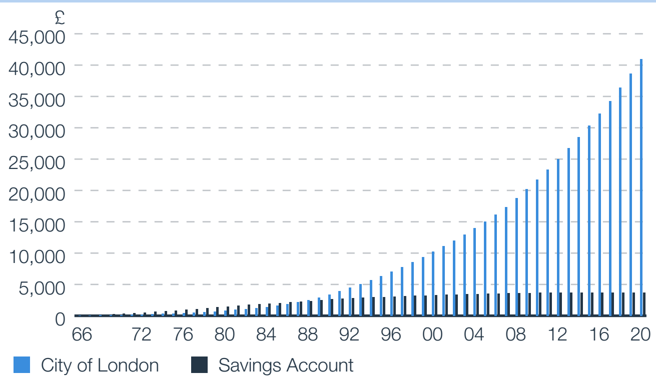
Over that time, an initial investment of:

£1,000 in **CITY OF LONDON** has yielded investors **£41,000** in gross income, assuming that they had not reinvested their income.

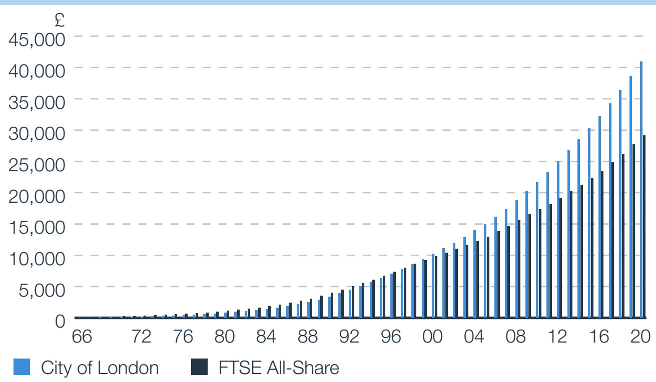
This compares to just **£3,700** earned from a **SAVINGS ACCOUNT**, based on the Bank of England base rate, or

£29,000 paid out by the **UK EQUITY MARKET**, as measured by the FTSE All-Share Index over the same period.

Cumulative income received from £1,000 initial investment



Source: Janus Henderson and Refinitiv Datastream

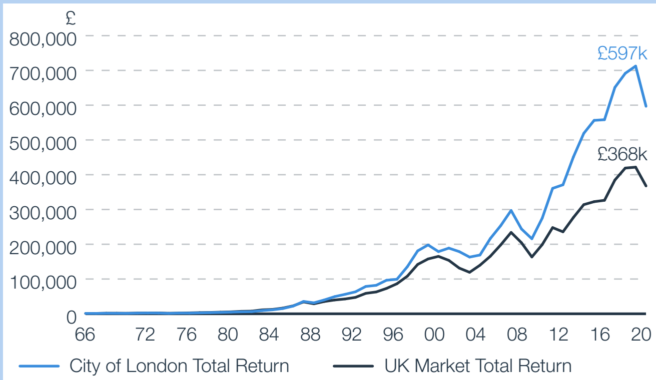


Source: Janus Henderson and Refinitiv Datastream

Compounding income and total return

While City of London has provided investors with a growing source of income, the Company has also delivered strong long-term capital growth on a total return basis. If investors had reinvested their dividends back into shares in the Company over the period since 1966, an initial investment of £1,000 would be worth almost £600,000 today. For comparison, an investment of £1,000 in the UK market, as measured by the DataStream UK Market Index (data for the FTSE All-Share Index total return only goes back to 1986) over 54 years would be worth £368,000 on a comparable total return basis. This comparison demonstrates a significant outperformance by City of London over the long term.

City of London total return from a £1,000 initial investment



Source: Janus Henderson and Refinitiv Datastream

Reserves

One of the main advantages of investment trusts is their ability to retain surplus income and create revenue reserves. These reserves can be added to in profitable years and paid out in the leaner years, thereby smoothing the level of dividend payments to shareholders where appropriate. While the investment process for City of London aims to avoid companies that cannot sustain dividend payments and the diversification of the portfolio limits the impact of any dividend cuts, the use of revenue reserves and the ability, also, to distribute capital reserves arising from gains realised from investments sold provide powerful protection for the dividend in challenging market conditions, such as those prevailing at present.

Although the current outlook is uncertain, City of London's dividend growth track record and strong reserves position should give investors comfort over the long term.

Chairman's Statement

Philip Remnant
Chairman

"At a time when many of our investee companies cut their dividends, we increased ours by 2.2%. In respect of the current year ending 30 June 2021, we expect to pay a greater amount, thereby increasing the dividend for a 55th consecutive year."

Chairman's Statement

This has been an extraordinary year for financial markets reeling from the economic impact of Covid-19, and particularly for equity income funds faced with a significant fall in dividend income received from investee companies. Almost half of FTSE 100 companies, in which the Company is principally invested, have passed or cut their dividends in 2020.

City of London's net asset value total return was a negative 14.6%, which was behind our benchmark, the FTSE All-Share Index, which returned a negative 13.0%. The Board decided to raise the dividend to shareholders by 2.2%, the 54th consecutive annual increase, partly funded from revenue reserves.

The Markets

It was a year of two halves. In the first six months, there was steady economic growth for the UK and overseas economies. The decisive general election victory for the Conservatives removed the risk of nationalisation of the utilities and various other measures which would not have been helpful for UK businesses. The FTSE All-Share Index returned 5.5% for the six months to 31 December 2020. The second six months was dominated by the emergence of Covid-19 in China and its spread to other countries. The unprecedented lockdowns caused a big fall in economic activity. At its lowest point, on 23 March, the FTSE All-Share Index had fallen by 35% from where it had started the year. Massive fiscal and monetary support from governments and central banks to support the economy helped the markets, as did the easing of the lockdowns. By the end of June, the FTSE All-Share Index had made a significant recovery from its lowest point, but had still produced a negative return of 17.5% for the second six months.

Performance

Earnings

The height of the coronavirus crisis in March coincided with the season for UK companies with 31 December financial year ends to report results and declare final dividends. Given the huge uncertainty and the need for many companies to prioritise conserving cash, there were widespread dividend cuts, cancellations and omissions. This has had an obviously negative impact on City of London's revenue earnings per share, which fell by 20.4% to 15.7p. Special revenue dividends, which made up 2.2% of gross revenue, were £1.5 million compared with £3.7 million last year.

Expenses remained under tight control and the ongoing charge ratio was 0.36%, down from 0.39% and reflecting last year's cut in the management fee rate. Our costs remain very competitive compared with other actively managed equity funds.

Net asset value total return

City of London's net asset value total return for the 12 months was a negative 14.6%, which was 1.6% behind the FTSE All-Share Index, mainly due to the negative impact of gearing. Stock selection outperformed by 0.9%. The biggest stock contributors (relative to the FTSE All-Share Index) were being underweight in Royal Dutch Shell and HSBC. Two overseas listed stocks, Microsoft and Nestlé, were respectively third and fifth biggest stock contributors. Greene King, the pub group which was taken over by CK Asset Holdings of Hong Kong, was also a notable contributor. The biggest stock detractor was AstraZeneca, which is held in the portfolio but in which we are underweight. The second biggest stock detractor was not owning London Stock Exchange, followed by the holdings in insurance group Hiscox and Lloyds Banking.

The ability to gear is an advantage that investment trusts have in rising equity markets. With falling markets, it had the opposite effect over the 12-month period. In addition, the fair value of our Private Placement Notes rose due to the fall in gilt yields. Gearing, which was in an 8% to 11% range during the year, detracted by 2.4%. By historical standards, the cost of the £85 million of long-term debt which we have taken out since 2014 is extremely low and should enhance shareholder returns in the mid to long term. The last of our expensive debenture stock is due for redemption in January 2021 and the Board is currently considering how best to refinance this.

City of London is behind the FTSE All-Share Index over the last five years, which has been a period of outperformance for lower yielding shares. Over ten years, City of London is well ahead, with a total return of 120.1% compared with 91.8% for the FTSE All-Share Index. Against the AIC UK Equity Income sector average and the IA UK Equity Income OEIC sector, the Company was behind by 0.3% and 0.9% respectively, but is ahead of each of these comparators over three, five and ten years.

Share issues

For most of the year, City of London's ordinary shares were in strong demand, such that by May 2020 we had issued a total of 37.3 million shares at a premium to net asset value for proceeds of £148.6 million. This all but exhausted the authority granted by shareholders at last year's Annual General Meeting, so we took the opportunity to renew it at a general meeting held on 11 May 2020. Paradoxically, since then the market supply and demand for the Company's shares have been broadly in balance, the shares have settled at a small discount and only a further 225,000 shares have been issued.

Our Investment and Dividend Philosophy

The past ten years

The Company's objective is to provide long-term growth in income and capital, principally by investment in equities listed on the London Stock Exchange; the Board continues to recognise the importance of dividend income to shareholders. Consequently, we place emphasis on dividend returns to shareholders but net asset value and share price growth are of equal importance in terms of our objective and hence our investment strategy.

Chairman's Statement (continued)

On 30 June 2010, City of London's net asset value was £511 million (245p per share) and the share price 240p. Ten years later, on 30 June 2020, the net asset value was £1.43 billion (344p per share) and the share price stood at 340p. During that time, shareholders have received 155p in dividends and share price appreciation of 100p, an appropriate balance, I believe, given our objective. Total returns have comfortably exceeded those from the FTSE All-Share Index, the Company's benchmark, and our dividend has grown by significantly more than the rate of inflation.

Over that same ten-year period, City of London's share capital has almost doubled, from 209 million to 416 million shares. Given that our share price has stood at a modest premium to net asset value for all but short periods within that time, we have been a regular issuer of shares throughout. This has enabled us to achieve our aim for the Company's share price to reflect closely its underlying asset value, and also to reduce volatility and have a liquid market in the shares. We believe this to be in the best interests of both current shareholders and those wishing to make new investments in City of London.

Recent months

We have made several announcements in the last few months, emphasising various points:

- Over the last ten years, we have set aside over £30 million into revenue reserves to underpin future dividends in circumstances such as we face now, when our annual income has come under pressure from the dividend cuts made by many of our investee companies. These reserves stood at £58.3 million at 30 June 2019. If, at the end of June 2020, we needed to draw on those reserves to maintain our unique record of dividend growth, then it was our intention to do so.

  In the event, in paying total dividends of 19p per share for the year, an increase of 2.2% over last year, we will have recourse to those reserves to the tune of £14.4 million.
- In respect of the current year ending 30 June 2021, we would expect to pay ordinary dividends in excess of those paid last year, thereby increasing the dividend for a 55th consecutive year. This is likely to be funded from a combination of income received during the year and revenue reserves.
- The Company holds capital reserves arising from gains realised from investments sold, and therefore available for distribution to shareholders, calculated to be in excess of £270 million at 30 June 2020.

  Now that our accounts for the year have been audited, these reserves have been confirmed at £271.8 million.

The future

At the end of my Chairman's Statement last year, I wrote of my confidence in the future given the quality of the companies in which we are invested and the advantages which our closed end investment trust status gives us. Despite the recent market turmoil and the inevitable uncertainties this creates, this remains my view today.

Job Curtis focuses on companies with cash generative businesses able to grow their dividends with attractive yields. The portfolio is well diversified, biased towards international companies invested in economies likely to grow faster than the UK. This is an investment approach which has served shareholders well over the longer term, as our ten-year record shows.

Shareholder returns will continue to be derived from a mixture of capital growth and income. The dividend cuts which abound in the market today have an inevitable impact on the income received by City of London, and so on the dividends which we ourselves can pay out of current income. Our open-ended cousins have no choice but to cut the amounts which they can distribute to their members. By contrast, one of the benefits which we, as an investment trust, enjoy is the ability to supplement our annual income with income both from revenue reserves, squirrelled away in past years, and, if required, from capital reserves established through realising gains on our investments.

The ability to do this allows the Fund Manager additional flexibility in how he manages the portfolio for the long term. He will continue to have a bias towards income producing stocks, but he has no need in the current environment to chase a dwindling group of higher yielding corporates, running the inherent risk of dividend traps, in order to build on City of London's unique dividend record. He can continue to focus too on holdings selected for their above average growth potential, albeit on lowish yields, some of which may well be listed overseas, providing greater diversification and which have contributed positively to City of London's outperformance over the years.

The Board

After serving as Chairman for nine years, I shall be retiring at the Annual General Meeting on 27 October 2020. It has been a huge privilege to be associated with City of London and I have enjoyed the support, and benefited from the wisdom, of all my fellow Directors during this time. I have been a shareholder for over 50 years and intend to follow the Company's fortunes in the future as closely as you all do. I shall be handing over to Sir Laurie Magnus who joined the Board earlier this year and who has deep experience of the investment trust world.

Annual General Meeting

Due to the ongoing restrictions on large gatherings, it will unfortunately not be possible for shareholders to attend the Annual General Meeting on 27 October 2020 in person. Voting on the resolutions to be proposed will be conducted on a poll, and shareholders are encouraged to submit their Forms of Proxy. If you have any questions in relation to the Annual Report or the Company's performance over the year,

Chairman's Statement (continued)

please email **ITSecretariat@janushenderson.com** in advance of the meeting. All questions received will be considered and responses will be available on the Company's website. A presentation from Job Curtis, our Fund Manager, will be available to watch on the Company's website on the day of the Annual General Meeting.

Outlook

Looking forward, there are an unusually large number of uncertainties, which mainly relate to Covid-19. It is possible that there could be a second wave of infections in the autumn/winter. If so, governments are likely to try to implement local rather than nationwide lockdowns which would be less damaging for the economy. Alternatively, it may be that the worst of the virus has been seen and there are strong hopes for an effective vaccine in 2021. The policy response to the lockdown has been extraordinary, but it is not clear what will be the long-term effect of the build up of government debt or how the central banks will ever reduce their stock of government bonds. Another major uncertainty remains the future trading relationship between the UK and the European Union, which is scheduled to have been agreed by the end of 2020.

UK companies responded to the crisis with a wave of dividend cuts, omissions and cancellations. In the July/August half year reporting season, there were tentative signs of an improving mood with several of our investee companies restoring dividends, including BAE Systems, Direct Line Insurance and Persimmon. The large fall in dividends paid has taken down the true yield of the UK equity market to between 3% and 4%, and in line with our objective City of London's yield stands at a premium to that. This remains significantly in excess of the main alternatives of fixed interest and bank deposit rates. To the extent that confidence grows that a base has been found and the market is set to return to dividend growth, UK equities could achieve pleasing returns.

Philip Remnant CBE
Chairman
17 September 2020

Portfolio Snapshot

Forty Largest Investments as at 30 June 2020

The 40 largest investments, representing 75.93% of the portfolio, are listed below.

Position	Company	Sector	Market value £'000	Portfolio %
1	British American Tobacco	Tobacco	66,747	4.25
2	Unilever	Personal Goods	53,784	3.42
3	Diageo	Beverages	53,089	3.38
4	GlaxoSmithKline	Pharmaceuticals & Biotechnology	52,371	3.33
5	RELX	Media	47,704	3.04
6	Royal Dutch Shell	Oil & Gas Producers	46,979	2.99
7	HSBC	Banks	42,025	2.68
8	Rio Tinto	Mining	41,396	2.63
9	National Grid	Gas, Water & Multi-utilities	39,073	2.49
10	BP	Oil & Gas Producers	38,246	2.43
Top 10			**481,414**	**30.64**
11	Prudential	Life Insurance	38,187	2.43
12	Reckitt Benckiser	Household Goods & Home Construction	37,160	2.37
13	AstraZeneca	Pharmaceuticals & Biotechnology	33,684	2.14
14	Phoenix	Life Insurance	31,234	1.99
15	Verizon Communications	Fixed Line Telecommunications	31,187	1.99
16	BHP	Mining	30,321	1.93
17	M&G	Financial Services	29,070	1.85
18	BAE Systems	Aerospace & Defence	29,004	1.85
19	SSE	Electricity	28,655	1.82
20	Vodafone	Mobile Telecommunications	28,349	1.80
Top 20			**798,265**	**50.81**
21	Imperial Brands	Tobacco	28,078	1.79
22	Nestlé	Food Producers	26,838	1.71
23	St. James's Place	Life Insurance	23,582	1.50
24	Schroders	Financial Services	22,770	1.45
25	Anglo American	Mining	22,066	1.40
26	Lloyds Banking	Banks	20,887	1.33
27	Tesco	Food & Drug Retailers	20,529	1.31
28	Croda International	Chemicals	19,710	1.25
29	Microsoft	Software & Computer Services	19,451	1.24
30	Persimmon	Household Goods & Home Construction	19,431	1.24
Top 30			**1,021,607**	**65.03**
31	Severn Trent	Gas, Water & Multi-utilities	18,593	1.18
32	Novartis	Pharmaceuticals & Biotechnology	18,514	1.18
33	Barclays	Banks	18,422	1.17
34	Taylor Wimpey	Household Goods & Home Construction	18,324	1.17
35	Munich Re	Non-life Insurance	18,144	1.15
36	Land Securities	Real Estate Investment Trusts	16,590	1.06
37	Merck	Pharmaceuticals & Biotechnology	16,439	1.05
38	Segro	Real Estate Investment Trusts	16,110	1.02
39	Wm Morrison	Food & Drug Retailers	15,244	0.97
40	Direct Line Insurance	Non-life Insurance	14,905	0.95
Top 40			**1,192,892**	**75.93**

Convertibles, all classes of equity and all written call option positions in any one company are treated as one investment.

Portfolio Snapshot (continued)

Classification of Investments and Portfolio Weighting as at 30 June 2020

		Portfolio %	FTSE All-Share Index %	Relative to the FTSE All-Share Index percentage points
Oil & Gas	Oil & Gas Producers	6.1	8.3	(2.2)
	Oil Equipment, Services & Distribution	–	0.1	(0.1)
		6.1	8.4	(2.3)
Basic Materials	Chemicals	1.8	0.7	1.1
	Construction & Materials	1.2	1.8	(0.6)
	Forestry & Paper	0.6	0.4	0.2
	Industrials Metals & Mining	–	0.1	(0.1)
	Mining	6.0	7.2	(1.2)
		9.6	10.2	(0.6)
Industrials	Aerospace & Defence	2.0	1.4	0.6
	Electronic & Electrical Equipment	1.3	0.8	0.5
	General Industrials	1.3	0.9	0.4
	Industrial Engineering	1.5	1.0	0.5
	Industrial Transportation	–	0.3	(0.3)
	Support Services	1.2	6.2	(5.0)
		7.3	10.6	(3.3)
Consumer Goods	Beverages	4.9	3.6	1.3
	Food Producers	2.5	0.7	1.8
	Household Goods & Home Construction	5.4	4.0	1.4
	Leisure Goods	–	0.2	(0.2)
	Personal Goods	3.4	2.8	0.6
	Tobacco	6.0	4.4	1.6
		22.2	15.7	6.5
Health Care	Health Care Equipment & Services	0.7	1.0	(0.3)
	Pharmaceuticals & Biotechnology	8.5	10.4	(1.9)
		9.2	11.4	(2.2)
Consumer Services	Food & Drug Retailers	2.5	2.1	0.4
	General Retailers	0.8	2.0	(1.2)
	Media	3.4	3.7	(0.3)
	Travel & Leisure	1.6	3.7	(2.1)
		8.3	11.5	(3.2)
Telecommunications	Fixed Line Telecommunications	2.0	0.6	1.4
	Mobile Telecommunications	3.1	1.8	1.3
		5.1	2.4	2.7
Utilities	Electricity	1.8	0.8	1.0
	Gas, Water & Multi-utilities	4.8	2.8	2.0
		6.6	3.6	3.0
Financials	Banks	5.8	7.2	(1.4)
	Equity Investment Instruments	–	6.5	(6.5)
	Financial Services	5.3	4.3	1.0
	Life Insurance	6.5	3.3	3.2
	Non-life Insurance	3.2	1.1	2.1
	Real Estate Investment & Services	–	0.4	(0.4)
	Real Estate Investment Trusts	2.9	2.3	0.6
		23.7	25.1	(1.4)
Technology	Software & Computer Services	1.9	1.0	0.9
	Technology Hardware & Equipment	–	0.1	(0.1)
		1.9	1.1	0.8
Total		**100.0**	**100.0**	**–**

Fund Manager's Report

Job Curtis

"The portfolio is predominantly invested in defensive, relatively stable companies but also has some exposure to areas with significant recovery potential."

Fund Manager's Report

Investment Background

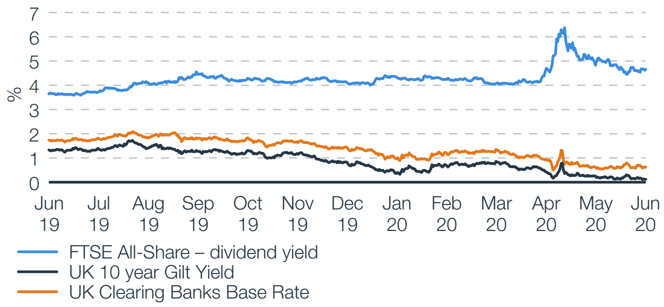
FTSE All-Share Index Total Return (rebased to 100)

Source: Refinitiv Datastream, as at 30 June 2020. Rebased to 100 as at 30 June 2019

There was a marked contrast between the performance of the UK equity market during the first half of the period under review compared with the second half. Over the six months to 31 December 2019, UK equities produced a total return of 5.5%, as measured by the FTSE All-Share Index. In December, the decisive Conservative general election victory boosted domestic sectors given the end of the political paralysis. Utilities, which had been threatened with nationalisation by Labour, did particularly well.

During the six months to 30 June 2020, the direction of the equity market was driven by the spread of Covid-19 across the globe, the government enforced lockdown of the economy and then the easing of those restrictions. From 31 December 2019 to the low point on 23 March 2020, the FTSE All-Share fell by 35%. There followed a significant rally which reduced the losses, so the FTSE All-Share Index produced a negative return of 13.0% for the 12 months to 30 June 2020.

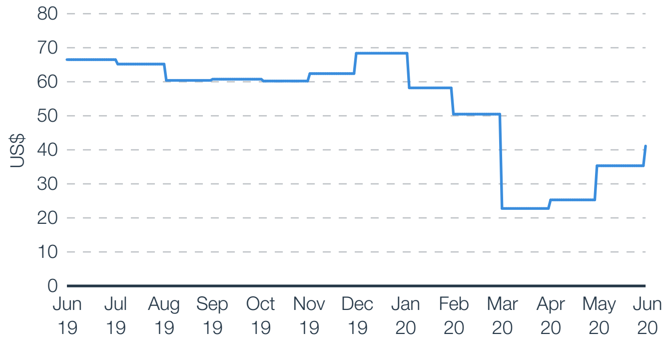
FTSE All-Share Index dividend yield, UK 10 year gilt yield and UK base rate



Source: Refinitiv Datastream, as at 30 June 2020

Globally and in the UK, governments and central banks responded to the lockdown of economies with an unprecedented level of policy stimulus. In the UK, the government paid 80% of wages of those furloughed and introduced loan schemes for businesses. The Bank of England cut its base rate from 0.75% to 0.10% in two stages. The 10-year Gilt yield, which was 0.84% at 30 June 2019, ended the 12-month period at 0.12%, reflecting the low base rate, investors' perception of weak growth and inflation prospects and also the large purchases of gilts that were made by the Bank of England. The dividend yield of the equity market remained significantly higher than the base rate and the 10-year Gilt yield. Given the huge uncertainty during March and April, a large number of dividends were cut, cancelled or omitted as companies prioritised the preservation of cash.

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



Source: Bloomberg, as at 30 June 2020

The oil price suffered from the global decline in economic activity. There was a big drop in demand for oil with there being much less travelling whether by car, aeroplane or cruise ship as people stayed in their homes. In addition, oil producing countries were slow to respond by reducing supply because of a dispute between Saudi Arabia and Russia.

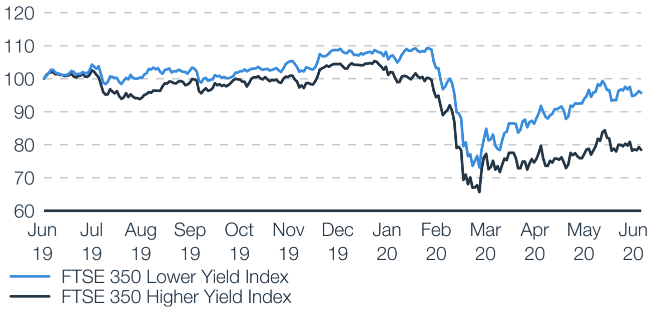
UK £ vs Euro and US$

Source: Refinitiv Datastream, as at 30 June 2020

Sterling started the 12 months at a 1.24 exchange rate to the US dollar and rallied to 1.32 after the general election in December. Sterling fell to 1.15 at the height of the crisis in March when the US dollar was attracting investors as a safe haven. It recovered to end the 12 months at 1.24, which was the same as where it started. Sterling's performance against the euro was similar to its performance against the US dollar.

Fund Manager's Report (continued)

Performance of higher yielding shares compared with lower yielding shares (rebased to 100)



Source: Refinitiv Datastream, as at 30 June 2020. Indices are total return rebased to 100 as at 30 June 2019

The chart above compares the return of the FTSE 350 Higher Yield Index (the higher dividend yielding half of the largest 350 shares listed in the UK) with the FTSE 350 Lower Yield Index (the lower yielding half of the largest 350 shares listed in the UK). Over the 12 months to 30 June 2020, the FTSE 350 Higher Yield Index underperformed, reflecting poor returns from the banks (-40%) and oil & gas (-44%) sectors.

Estimated performance attribution analysis (relative to FTSE All-Share Index total return)

	2020 %	2019 %
Stock selection	+0.90	+2.99
Gearing	-2.40	-0.61
Expenses	-0.36	-0.39
Share issues	+0.26	+0.11
Total	-1.60	+2.10

Source: Janus Henderson

Stock selection was positive over the year, with the biggest sector contributor being under-represented in oil & gas, mainly through the underweight position in Royal Dutch Shell, which was the biggest stock contributor. The second biggest stock contributor was being underweight in HSBC, followed by owning Microsoft, not holding Rolls Royce and owning Nestlé and pub group Greene King, which was taken over by CK Asset Holdings of Hong Kong.

The biggest detracting sector was being under-represented in pharmaceuticals and the underweight holding in AstraZeneca, which was the biggest stock detractor. AstraZeneca has benefited from the success of new drugs brought to the market and has grown to be the largest stock by market capitalisation in the UK index. Not owning London Stock Exchange was the second biggest stock detractor, followed by owning Hiscox and Lloyds Banking, not owning Experian and owning Carnival.

The main reason that City of London's net asset value total return underperformed the FTSE All-Share Index over the 12 months was the effect of gearing, which detracted by 2.4%. Gearing started the 12-month period at 7.9% and stayed below 10% until March, when it peaked at 11.1% before falling back to 9.7% at 30 June 2020. In rising markets, gearing enhances the rise in net asset value, but it has the opposite effect in a falling market, such as over the 12 months to 30 June 2020. In addition, City of London's Private Placement Notes rose in value, which detracted from the net asset value with debt at fair value.

Over the long term, City of London has significantly outperformed the FTSE All-Share Index. For example, over 10 years, City of London's net asset value total return is 120.1% compared with 91.8% for the FTSE All-Share Index.

Portfolio Review

Over the last three years, the number of holdings has been reduced from 115 at 30 June 2017 to 97 at 30 June 2019 and to 90 at 30 June 2020. In our view, while it is beneficial for a conservative portfolio to be diversified, at 90 holdings there is more focus with each holding having more impact.

The sector which had the largest number of holdings sold from it was travel & leisure. Pub group Greene King was sold after it accepted a takeover bid from CK Asset Holdings of Hong Kong at a level significantly in excess of its previously prevailing share price. Travel group TUI was sold in December 2019 amid concern about its rising debt and after it cut its dividend for a second time. This proved to be a very good sale given the effect of the restrictions on tourism on TUI in 2020. In our view, the social distancing rules brought in as a result of Covid-19 had a particularly severe effect on the leisure and hospitality sectors, which would be slow to recover. Therefore, complete sales were made of the holdings in Cineworld (cinema operator), Compass (contract caterer) and Whitbread (hotel operator). 60% of the holding in cruise operator Carnival was also sold. In addition, William Hill was sold given the continuing structural challenge of its betting shops.

One new holding was bought in travel & leisure: La Française des Jeux ("FDJ"), which has been the operator of the French national lottery since it was created in 1933 and has an exclusive license for the next 25 years. An initial holding was bought in FDJ when it was privatised by the French government in November 2019 and additional purchases were made in the aftermarket. FDJ is a cash-generative business with a strong balance sheet and its shares have performed well.

The banks sector was also badly affected by the lockdown of the economy and its aftermath. Although UK banks have much higher levels of capital than at the time of the financial crisis (2007-2009), they remain leveraged institutions and vulnerable to economic downturn. In addition, the regulator of

Fund Manager's Report (continued)

the UK banks, The Prudential Regulatory Authority, banned them from paying dividends in 2020 in order to conserve their capital given the uncertainty. The holding in Royal Bank of Scotland, which had been bought in the second half of 2019, was sold. The other bank holdings (HSBC, Lloyds and Barclays) were reduced but smaller positions were retained given the recovery potential.

The portfolio has been under-represented in general retailers because of the structural threat to retailers on the High Street and in shopping centres and retail parks from the growth in internet shopping. The lockdown of the economy accelerated this trend, with all but essential shops having to be closed for a period. Given its challenges and the suspension of its dividend, the holding in Marks & Spencer was sold.

By contrast, food retailers were, of course, allowed to remain open. They benefited from the closing of restaurants and pubs with more food and drink consumed at home having been bought in supermarkets. It was therefore disappointing that Sainsbury omitted to pay a final dividend and the holding was sold. A new holding had been bought in Wm Morrison, which has a relatively strong balance sheet and a differentiated strategy, including producing around half the fresh food it sells. Subsequently, the holding in Sainsbury was replaced with Tesco, the UK's largest food retailer. Tesco has been turned around in recent years with the disposal of most of its overseas operations, net debt reduced, prices in stores more competitive and fewer promotions.

The oil & gas sector was a relative loser from the lockdown, with significantly reduced demand as well as supply issues causing oil price weakness as discussed above. With the oil price at a level where its dividend was a long way from being covered by free cash flow, Royal Dutch Shell cut its dividend for the first time since 1943. BP also cut its dividend in August 2020. Both companies are intending to invest more in renewable energy. The portfolio has been underweight relative to the FTSE All-Share Index in both Royal Dutch Shell and BP. Reductions were made to the stake in Royal Dutch Shell after its dividend cut. A new holding was bought in Total, the French listed international oil company, which has a lower cost of production than Royal Dutch Shell and BP and a stronger balance sheet.

The iron ore price was relatively stable over the 12 months, supported by Chinese steel demand. Iron ore is the most important commodity for Rio Tinto and BHP. Additions were made to the stakes in both companies, which were highly cash-generative at the iron ore prices that prevailed and they both increased their ordinary dividends.

In life assurance, Prudential split into two businesses, Prudential and M&G. The larger, Prudential, operates in Asia Pacific and the US; M&G owns the UK business and is classified in the financial services sector. Additions were made to M&G given the scope for capital generation and dividends. The sale of the holding in Aviva was completed in January 2020 and it subsequently did not pay a final dividend. A new holding in Legal & General was bought on an attractive yield after it confirmed its dividend.

The UK telecommunications sector has been very competitive and with tough regulation for many years. The incumbent, BT, has been struggling and decided to stop paying a dividend. City of London's holding in BT was sold and reinvested in Deutsche Telekom, Vodafone and Orange. For several years, the largest telecommunications holding in the portfolio has been Verizon Communications, the US operator, which has a steady record of dividend growth.

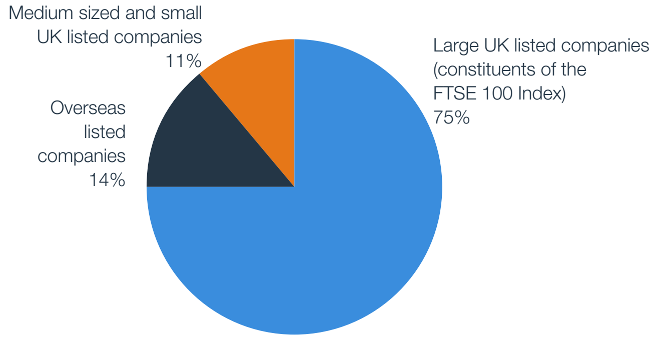
The utilities sector had a good year with the general election removing the threat of nationalisation. City of London benefited by being overweight in utilities relative to the FTSE All-Share Index, with the largest holding being National Grid. One new holding was bought, Pennon, which is the water utility covering the south west of England. Pennon sold its waste business for a good price leaving it with a strong balance sheet and good dividend growth prospects.

Sales were made in four other small holdings. Senior is an aerospace supplier adversely affected by weaker demand for its products. For Royal Mail, the decline in revenues from letters is not being offset by the growth in parcels and cost reductions are hard to achieve. Bank note printer De La Rue is faced with the trend to electronic payments as well as losing the UK passport contract. Connect Group's diversification away from its core newspaper distribution operation was very costly and caused the suspension of its dividend.

Iron Ore (US$/metric tonne)

Source: Refinitiv Datastream, as at 30 June 2020

Distribution of the portfolio as at 30 June 2020

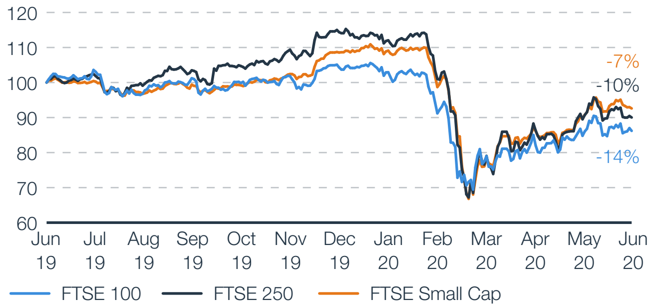


Source: Janus Henderson, 30 June 2020

Fund Manager's Report (continued)

The portion of the portfolio invested in overseas listed companies increased over the year from 10% to 14%. This was offset by reductions in the portions invested in large UK-listed companies from 78% to 75% and in medium-sized and small UK-listed companies from 12% to 11%.

FTSE 100, 250 and Small Cap Indices total return
(rebased to 100)



Source: Refinitiv Datastream, as at 30 June 2020. Indices rebased to 100 as at 30 June 2019. Indices are total return

The chart above compares the performance of the largest companies (FTSE 100) with medium-sized companies (FTSE 250) and small companies (FTSE Small Cap). Large companies underperformed medium-sized and small companies over this 12-month period, with a key factor being the poor performance of banks and oil companies, which are mainly in the FTSE 100.

Portfolio Outlook

The portfolio is structured to have a solid base of companies which are defensive, being relatively less exposed to the cyclicality of the economy. In addition, there is some exposure to companies where share price valuations are depressed and there is significant recovery potential.

Consumer staples or makers and sellers of essential products comprise 21.5% of the portfolio and includes companies in the following sectors: beverages, food producers, household goods, personal goods, tobacco and food retailing. City of London's largest three holdings, British American Tobacco, Unilever and Diageo, are consumer staples stocks. They are global leaders, have built brands over decades but need continually to invest in product innovation to grow.

The pharmaceutical sector is a second reliable area for profits so long as the companies spend on research and development to discover new drugs to replace those where patents are expiring. City of London has a significant part of the portfolio invested in pharmaceutical companies, at 8.5% of the total, although this is below the FTSE All-Share Index level. Utilities should also be a defensive source of income, subject to satisfactory regulatory regimes. 6.6% of City of London's portfolio is invested in this area. 5.1% of the portfolio is invested in telecommunications operators, which should be stable provided regulation is fair or competition not too intense. Within financials, life insurance and financial services companies have been much more reliable dividend payers than banks. 6.5% of the portfolio is invested in life assurance and 5.3% in financial services.

It is encouraging that, since the start of City of London's new financial year (on 1 July 2020), a number of companies have returned to paying dividends, such as BAE Systems, Persimmon, Direct Line Insurance, IMI and Mondi. There are other companies in the portfolio, which did not pay dividends in the first half of 2020, where positions have been retained (sometimes reduced from the previous size of holding) where there is significant recovery potential and scope to pay dividends, such as in the banks, home construction and real estate investment trust sectors.

Although it is disappointing that Royal Dutch Shell and BP cut their dividends, they remain dividend payers and should benefit from a recovery in global economic activity. In addition to some oil & gas exposure, 6.0% of the portfolio is invested in mining companies (Rio Tinto, BHP and Anglo American) which derive their profits from important commodities, such as iron ore and copper, which should be underpinned from increased infrastructure spending as governments act to support economic recovery.

It has been a very difficult period for company profits and dividends because of the Covid-19 virus and associated lockdowns of economies. There are clear signs that the worst point has been experienced and an improvement should be seen going forward. In our view, the portfolio is predominantly invested in defensive, relatively stable companies but also has some exposure to areas with significant recovery potential.

Job Curtis
Fund Manager
17 September 2020

Portfolio Information

Sector Breakdown of Investments as at 30 June 2020

	Valuation £'000
OIL & GAS	
Oil & Gas Producers	
Royal Dutch Shell	46,979
BP	38,246
Total[1]	10,808
	96,033
Total Oil & Gas	**96,033**
BASIC MATERIALS	
Chemicals	
Croda International	19,710
Victrex	5,083
Johnson Matthey	3,776
	28,569
Construction & Materials	
Ibstock	9,985
Marshalls	6,210
	16,195
Forestry & paper	
Mondi	9,818
	9,818
Mining	
Rio Tinto	41,396
BHP	30,321
Anglo American	22,066
	93,783
Total Basic Materials	**148,365**
INDUSTRIALS	
Aerospace & Defence	
BAE Systems	29,004
Meggitt	2,060
	31,064
Electronic & Electrical Equipment	
Halma	9,212
XP Power	7,100
Renishaw	4,426
	20,738
General Industrials	
Siemens[1]	9,055
Smiths	7,135
Swire Pacific[1]	4,332
	20,522
Industrial Engineering	
Spirax-Sarco Engineering	9,976
IMI	8,616
Rotork	4,900
	23,492
Support Services	
Ferguson	14,546
Paypoint	5,092
	19,638
Total Industrials	**115,454**

	Valuation £'000
CONSUMER GOODS	
Beverages	
Diageo	53,089
Coca-Cola[1]	13,739
Britvic	10,549
	77,377
Food Producers	
Nestlé[1]	26,838
Tate & Lyle	12,200
	39,038
Household Goods & Home Construction	
Reckitt Benckiser	37,160
Persimmon	19,431
Taylor Wimpey	18,324
Berkeley	9,788
	84,703
Personal Goods	
Unilever	53,784
	53,784
Tobacco	
British American Tobacco	66,747
Imperial Brands	28,078
	94,825
Total Consumer Goods	**349,727**
HEALTH CARE	
Health Care Equipment & Services	
Smith & Nephew	11,170
	11,170
Pharmaceuticals & Biotechnology	
GlaxoSmithKline	52,371
AstraZeneca	33,684
Novartis[1]	18,514
Merck[1]	16,439
Johnson & Johnson[1]	11,813
	132,821
Total Health Care	**143,991**
CONSUMER SERVICES	
Food & Drug Retailers	
Tesco	20,529
Wm Morrison	15,244
Greggs	4,050
	39,823
General Retailers	
Kingfisher	7,289
Halfords	3,344
DFS	2,637
	13,270

Portfolio Information (continued)

	Valuation £'000
CONSUMER SERVICES (continued)	
Media	
RELX	47,704
Daily Mail & General	3,445
ITV	2,240
	53,389
Travel & Leisure	
La Française des Jeux[1]	11,224
Ten Entertainment	5,310
Young	2,919
Go-Ahead	2,288
Carnival	2,169
National Express	1,681
	25,591
Total Consumer Services	**132,073**
TELECOMMUNICATIONS	
Fixed Line Telecommunications	
Verizon Communications[1]	31,187
	31,187
Mobile Telecommunications	
Vodafone	28,349
Deutsche Telekom[1]	10,857
Orange[1]	9,188
	48,394
Total Telecommunications	**79,581**
UTILITIES	
Electricity	
SSE	28,655
	28,655
Gas, Water & Multi-utilities	
National Grid	39,073
Severn Trent	18,593
Pennon	9,586
United Utilities	7,737
	74,989
Total Utilities	**103,644**
FINANCIALS	
Banks	
HSBC	42,025
Lloyds Banking	20,887
Barclays	18,422
Nationwide Building Society 10.25% Var Perp CCDS	10,167
	91,501

	Valuation £'000
FINANCIALS (continued)	
Financial Services	
M&G	29,070
Schroders	22,770
IG	13,497
Brewin Dolphin	10,681
TP ICAP	7,769
	83,787
Life Insurance	
Prudential	38,187
Phoenix	31,234
St. James's Place	23,582
Legal & General	8,505
	101,508
Non-life Insurance	
Munich Re[1]	18,144
Direct Line Insurance	14,905
Hiscox	8,923
Sabre Insurance	8,004
	49,976
Real Estate Investment Trusts	
Land Securities	16,590
Segro	16,110
British Land	10,626
Hammerson	2,087
	45,413
Total Financials	**372,185**
TECHNOLOGY	
Software & Computer Services	
Microsoft[1]	19,451
Sage	10,520
	29,971
Total Technology	**29,971**
TOTAL INVESTMENTS	**1,571,024**

[1] Overseas listed

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

Historical Information

Total Return Performance to 30 June 2020

	1 year %	3 years %	5 years %	10 years %
Net asset value per ordinary share[1]	-14.6	-6.8	10.1	120.1
FTSE All-Share Index	-13.0	-4.6	15.2	91.8
AIC UK Equity Income sector average – net asset value[2]	-14.3	-9.6	8.1	110.8
IA UK Equity Income OEIC sector average	-13.7	-10.7	4.8	87.9

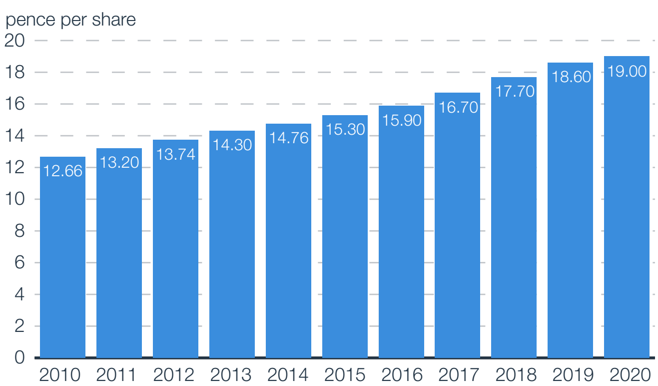
Share Price Performance Total Return to 30 June 2020

Value of £1,000 with net income reinvested	1 year £	3 years £	5 years £	10 years £
The City of London Investment Trust plc[3]	837.7	916.7	1,072.9	2,169.6
FTSE All-Share Index	870.1	954.0	1,151.7	1,918.4
AIC UK Equity Income sector average	852.5	897.2	1,042.8	2,036.5
IA UK Equity Income OEIC sector average	862.7	892.7	1,047.6	1,879.1

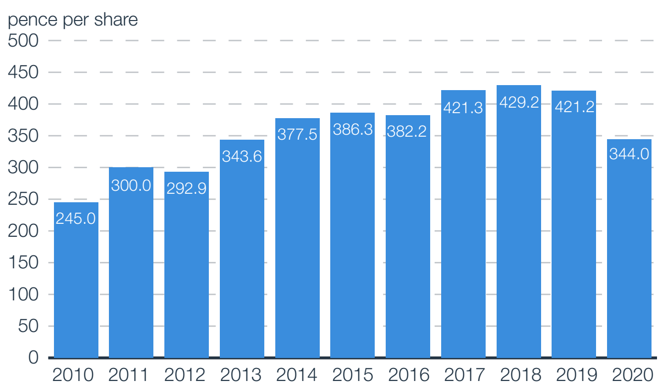
Ten Year Net Asset Value and Dividend Record

Year ended	Net asset value per ordinary share (p)[4]	Net asset value per ordinary share (rebased)[5]	Net dividends per ordinary share (p)	Net dividends per ordinary share (rebased)[5]
30 June 2010	245.0	100.0	12.66	100.0
30 June 2011	300.0	122.4	13.20	104.3
30 June 2012	292.9	119.6	13.74	108.5
30 June 2013	343.6	140.2	14.30	113.0
30 June 2014	377.5	154.1	14.76	116.6
30 June 2015	386.3	157.7	15.30	120.9
30 June 2016	382.2	156.0	15.90	125.6
30 June 2017	421.3	172.0	16.70	131.9
30 June 2018	429.2	175.2	17.70	139.8
30 June 2019	421.2	171.9	18.60	146.9
30 June 2020	**344.0**	**140.4**	**19.00**	**150.1**

Historical dividend

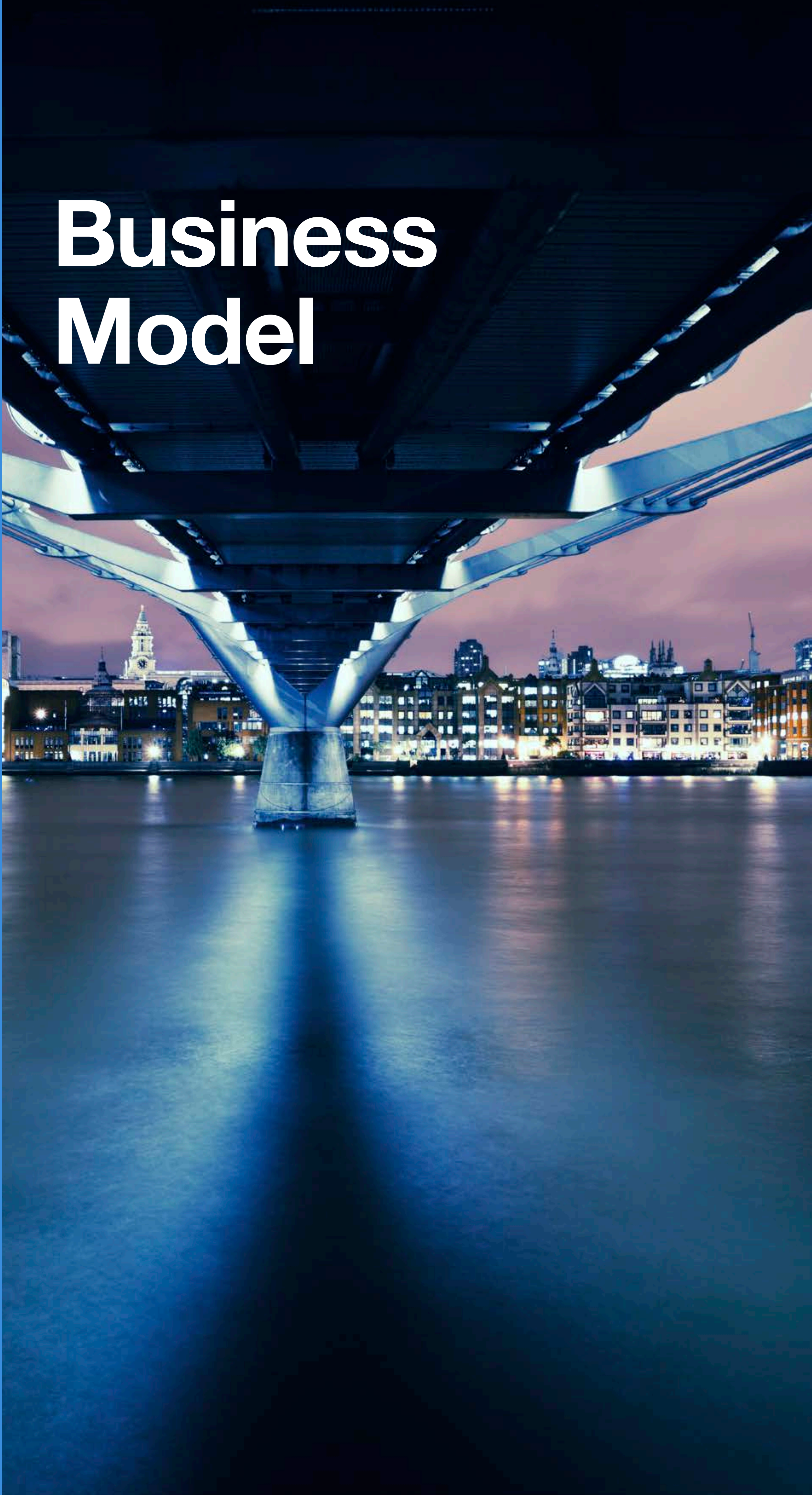


Historical NAV



1 Net asset value per share with income reinvested
2 AIC UK Equity Income sector size weighted average NAV total return (shareholders' funds)
3 Share price total return using mid-market closing price
4 Net asset value per ordinary share is calculated after deducting all prior charges, including the preference and preferred ordinary stocks, at par
5 Rebased to 100 at 30 June 2010
Sources: Morningstar for the AIC, Janus Henderson, Refinitiv Datastream
A glossary of Alternative Performance Measures is on pages 83 and 84

Business Model



Business Model

Our Purpose and Values

The Company's purpose is to deliver growth in income and capital to shareholders by investing in equities listed on the London Stock Exchange. We do this by following a disciplined process of investment and by controlling costs and using borrowings to enhance returns.

The Board aspires to follow high standards of governance, with a culture based upon openness, mutual respect, integrity, constructive challenge and trust. The Board seeks always to act in the best interests of shareholders, making the most effective use possible of the diversity of skills and experience of its members. This culture of openness and constructive challenge extends to the Board's interaction with the Manager, being the Company's most important service provider. The Board expects the Manager and all of the Company's other service providers to hold values which align with the high standards promoted by the Board.

Our Strategy

We fulfil our purpose by operating as an investment company, enabling us to delegate operational matters to specialised third-party service providers. Their performance is monitored and challenged by a Board of Directors which retains oversight of the Company's operations.

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

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

The Company's Status

The Company is registered as a public limited company, founded in 1891, and is an investment company as defined in Section 833 of the Companies Act 2006 ("the Act"). The Company is not a close company. It operates as an investment trust in accordance with s.1158/9 and has obtained approval from HMRC for its status. The Directors are of the opinion that the Company has conducted its affairs in compliance with s.1158/9 since approval was granted and intends to continue to do so.

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

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

Investment Objective

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

Investment Policy

Asset allocation

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

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

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

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

Gearing

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

Business Model (continued)

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

Diversification

The Company achieves an appropriate spread of investment risk principally through a broadly diversified portfolio.

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

Any material change to the investment policy would require the prior approval of both shareholders and the FCA.

Investment Approach

Our Fund Manager, Job Curtis, has managed the Company's portfolio since 1 July 1991. He is a member of Janus Henderson's Global Equity Income team and is assisted by David Smith and Laura Foll. He manages the portfolio in a conservative way, focusing on companies with cash generative businesses able to grow their dividends with attractive yields. The portfolio is well diversified, with some 66% invested in well-known blue chip UK listed companies, but it remains biased towards international companies invested in economies likely to grow faster than the UK. In times when savers have difficulty in receiving adequate returns on their investments, the portfolio aims to provide shareholders with dividends between 10% and 30% higher than the FTSE All-Share Index.

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

Liquidity and Discount Management

Our aim is for the Company's share price to reflect closely its underlying net asset value; and also to reduce volatility and have a liquid market in the shares. The ability to influence this meaningfully over the longer term is, of course, limited. However, the Board intends, subject always to the overall impact on the portfolio, the pricing of other investment companies and overall market conditions, to consider issuance and buybacks within a narrow band relative to net asset value. We believe that flexibility is important and that it is not in shareholders' interests to have a specific issuance and buyback policy.

Promoting the Company's Success

Section 172 statement

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

Shareholders' assets are managed taking account of our stakeholders and their interests. The Board has mapped who they are to support it in identifying and understanding who the stakeholders are and fostering the appropriate level and form of interaction with them.

The Company has no employees, premises, assets other than financial assets or operations. The Board engages reputable third-party suppliers with established track records to deliver day-to-day operations. The most important of these is the Manager, in particular the relationship with the Fund Manager, who is responsible for the management of the Company's assets in line with the investment objective, the Corporate Secretary, the Director and Head of Investment Trusts and the Financial Reporting Manager for Investment Trusts. The Board maintains a close working relationship with the Manager and holds it to account for the smooth running of the Company's day-to-day business. There is continuous engagement and dialogue between Board meetings, with communication channels remaining open and information, ideas and advice flowing freely between the Board and the Manager.

The Board retains responsibility for decisions over corporate strategy, corporate governance, risk and internal control assessment, determining the overall limits and restrictions for the portfolio and in respect of gearing and asset allocation, investment performance monitoring and setting marketing budgets.

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

As the Manager holds the overall day-to-day relationship with the Company's other third-party suppliers, the Board places reliance on the Manager in this regard. The Board is confident that Janus Henderson has developed and maintains good working relationships with all of the Company's third-party suppliers. To ensure the chosen service providers continue to deliver the expected level of service, the Board receives regular reports from them, evaluates the control environments in place at each service provider and formally assesses their appointment annually. By doing so, the Board seeks to ensure that the key service providers continue to be appropriately remunerated to deliver the level of service that it demands of them.

Business Model (continued)

The Directors carry out their duties under Section 172 of the Act to act in good faith to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decisions in the long term, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment and the desirability of the Company maintaining a reputation for high standards of business conduct.

The Directors are responsive to the views of shareholders and the Company's wider stakeholders. Shareholders may contact the Board via the Corporate Secretary (please refer to page 89 for contact details). See below for further details on how the Board interacts with its key stakeholders.

For more information about the responsibilities with which the Board and its Committees are charged, please refer to the Corporate Governance Report (pages 37 to 43), the Audit Committee Report (pages 44 to 46), the Nominations Committee Report (pages 47 and 48), the Directors' Remuneration Report (pages 49 to 52) and the Directors' Report (pages 34 to 36) in addition to the Strategic Report. The Schedule of Matters Reserved for the Board as well as the Terms of Reference for each of the Committees of the Board can be found on the Company's website.

Engagement with Key Stakeholders

The Company's key stakeholders are its shareholders and investors, the Manager and other third-party service providers and the companies in which it invests. Wider stakeholders include the Company's lenders and regulatory and legislative bodies. Interaction is facilitated through meetings (both face-to-face and, particularly more recently, via video conferencing and other electronic means), seminars, presentations, publications and the Company's website. Set out below are examples of the way the Board and the Company interacts with its stakeholders.

Stakeholders	Engagement	Outcome
Shareholders and investors	The Board communicates with shareholders through the annual and half year reports, fact sheets, press releases, website and videos recorded by the Fund Manager. The Board meets with shareholders at the Annual General Meeting, which is usually live-streamed and shareholders are therefore able to join the Meeting online if they cannot attend in person. The Annual General Meeting includes a Fund Manager presentation and Q&A session. The Chairman and Directors are available to meet with the Company's largest shareholders. The Fund Manager, the Manager's sales and marketing team, the broker and external marketing research providers (Kepler) also meet with shareholders and analysts.	Shareholders are able to make informed decisions about their investments. Correspondence from shareholders is shared with the Chairman immediately and with the Board at each meeting. A General Meeting was held on 11 May 2020 to renew the authority of shareholders for the issue of shares as the existing authorities had been substantially used. The Board had felt that it was in shareholders' interests for the Company to be able to continue to issue shares while they were trading at a premium to NAV. Whilst it was necessary to hold a 'closed door' meeting as a result of the Covid-19 pandemic, the Board provided shareholders with the facility to vote electronically as well as by post and ensured that voting on the resolutions was held on a poll to ensure that shareholders were not disenfranchised through their inability to attend the meeting in person. Due to the ongoing restrictions on large gatherings, shareholders will be unable to attend the Annual General Meeting on 27 October 2020 in person and it will be held as a 'closed meeting'. Voting on the resolutions to be proposed will be conducted on a poll, and shareholders will be able to submit their Forms of Proxy electronically as well as by post. A presentation from the Fund Manager will be available to watch on the Company website on the day of the Annual General Meeting.

Business Model (continued)

Stakeholders	Engagement	Outcome
Manager	The Fund Manager attends all Board meetings. The Board receives timely and accurate information from the Manager at meetings and engages with the Fund Manager and Corporate Secretary between meetings as well as with other representatives as and when it is deemed necessary. In addition to reporting at each meeting, the Board meets with key representatives of the Manager throughout the year to develop strategy and assess internal controls and risk management, e.g. sales and marketing activities, to promote the success of the Company and raise its profile.	The Company is well managed and the Board places great value on the expertise and experience of the Fund Manager to execute the investment objective and deliver returns for shareholders, and on the Manager's internal controls and risk management. Throughout the course of the Covid-19 pandemic the Board has been in regular contact with the Manager, receiving updates on areas such as portfolio activity, gearing and the impact on income and the Company's ability to meet its investment objective.
Service providers	As an investment company, all services are outsourced to third-party service providers. The Board considers the Company's key service providers to be the Manager, Broker, Depositary, Registrar, Auditor and Administrator. The Board regularly considers the support provided by the service providers, including quality of service, succession planning and any potential interruption of service or other risks to provision. The Board is conscious of the need to foster good business relationships with its suppliers as well as its shareholders and others.	The Manager maintains the overall day-to-day relationship with the service providers and reports back to the Board on performance at least annually. The Corporate Secretary contacted all of the Company's key third-party suppliers in the wake of the Covid-19 pandemic to seek clarification that the Company would continue to receive a 'business as usual' service, and to work collaboratively with them to find solutions in the event of any service disruption. There has been no change to the level of service provided by the Manager or the Company's other third-party suppliers.
Investee companies	The Board sets the investment objective and discusses stock selection and asset allocation with the Fund Manager regularly. On behalf of the Company, the Manager engages with the investee companies, exercising good stewardship practices, including a focus on ESG matters with an approach agreed with the Board.	The Manager has a dedicated Governance and Responsible Investment Team that the Fund Manager can utilise when making investment decisions and voting.
Communities and the environment	The Board mandates the Manager, supported by its governance function, to engage with investee companies at the appropriate time on ESG matters in line with good stewardship practices. The Board is also conscious of the importance of providing an investment product which meets the needs of its investors, including retail investors and pensioners.	The Board is conscious of the need to take appropriate account of broader ESG concerns and to act as a good corporate citizen.

Business Model (continued)

Managing our Risks

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks and uncertainties facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

The Board regularly considers the principal risks facing the Company and has drawn up a matrix of risks. The Board has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are set out in the table below. The principal financial risks are detailed in note 16 to the financial statements.

The Board has also considered the impact of the Covid-19 pandemic on the Company. Originally identified as an emerging risk, the pandemic developed significantly and quickly, triggering sharp falls in global stock markets and resulting in uncertainty about the ongoing impact on markets and companies, and around future dividend income. The risks associated with the pandemic were therefore moved from emerging into one of the principal risks facing the Company.

Principal risks	Mitigating measure
Global pandemic The impact of the coronavirus pandemic on the Company's investments and its direct and indirect effects, including the effect on the global economy.	The Fund Manager maintains close oversight of the Company's portfolio, and in particular the dividend strategies of investee companies. Changes were made to move the portfolio away from sectors that were likely to be slow to recover, such as travel & leisure, towards less sensitive areas, such as consumer staples. Regular stress testing of the revenue account under different scenarios for dividends is carried out.
Portfolio and market price Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on equity shareholders' funds. The market uncertainty arising from the UK's negotiations to leave the EU ("Brexit") and the potential for adverse negotiations to impact the Company's investments.	The Board reviews the portfolio at the seven Board meetings held each year and receives regular reports from the Company's brokers. A detailed liquidity report is considered on a regular basis. The Fund Manager closely monitors the portfolio between meetings and mitigates this risk through diversification of investments. The Fund Manager periodically presents the Company's investment strategy in respect of current market conditions. Performance relative to the FTSE All-Share Index, other UK equity income trusts and IA UK Equity Income OEICs is also monitored. The majority of the Company's investments are multi-national companies with operations in local markets. If Brexit leads to weakness in sterling, that would benefit the Company in the translation of overseas profits and dividends for UK-listed companies.
Dividend income A reduction in dividend income could adversely affect the Company's dividend record.	The Board reviews income forecasts at each meeting. The Company has revenue reserves of £45.6 million (before payment of the fourth interim dividend) and distributable capital reserves of £271.8 million.
Investment activity, gearing and performance An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark.	The Board has an annual meeting focused on strategy at which investment performance, the level of gearing and the level of premium/discount is reviewed. The Board also reviews a schedule of expenses and revenue forecasts at each meeting.

Business Model (continued)

Principal risks	Mitigating measure
Tax and regulatory Changes in the tax and regulatory environment could adversely affect the Company's financial performance, including the return on equity. A breach of s.1158/9 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Company must also ensure compliance with the Listing Rules of the New Zealand Stock Exchange.	The Manager provides its services, inter alia, through suitably qualified professionals and the Board receives internal control reports produced by the Manager on a quarterly basis, which confirm legal and regulatory compliance. The Fund Manager also considers tax and regulatory change in his monitoring of the Company's underlying investments.
Operational Disruption to, or failure of, the Manager's or its administrator's (BNP Paribas Securities Services) accounting, dealing or payment systems or the Depositary's records could prevent the accurate reporting and monitoring of the Company's financial position. Cyber crime could lead to loss of confidential data. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service.	The Board monitors the services provided by the Manager and its other suppliers and receives reports on the key elements in place to provide effective internal control. Cyber security is closely monitored and the Audit Committee receives an annual presentation from Janus Henderson's Head of Information Security. The Board considers the loss of the Fund Manager as a risk but this is mitigated by the experience of the team at Janus Henderson as detailed on page 33.

Emerging risks

In addition to the principal risks facing the Company, the Board also regularly considers potential emerging risks, which are defined as potential trends, sudden events or changing risks which are characterised by a high degree of uncertainty in terms of the probability of them happening and the possible effects on the Company. Should an emerging risk become sufficiently clear, it may be moved to a significant risk, as described above in relation to the coronavirus pandemic.

The Board has identified heightened political tensions in and among a number of countries around the world which have the potential of increasing the risk of market volatility. The Fund Manager keeps the global political and economic picture under review as part of the investment process.

The Company's Viability

The AIC Code of Corporate Governance includes a requirement for the Board to assess the future prospects for the Company, and to report on the assessment within the Annual Report.

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

- The Board looks to ensure that the Company seeks to deliver long-term performance.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested mainly in readily realisable, UK listed securities and that the level of borrowings is restricted.
- The Company is a closed end investment company and therefore does not suffer from the liquidity issues arising from unexpected redemptions.
- The Company has an ongoing charge of 0.36%, which is lower than other comparable investment trusts.

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

- The Company retains title to all assets held by the Custodian under the terms of formal agreements with the Custodian and Depositary.
- Long-term borrowing is in place, being the 8½% debenture stock 2021, 4.53% secured notes 2029 and 2.94% secured notes 2049 which are subject to formal agreements, including financial covenants with which the Company complied in full during the year. The 10¼% debenture stock 2020 was repaid on 30 April 2020. The value of long-term borrowing is relatively small in comparison to the value of net assets, being 5.9%.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board meeting.
- Cash is held with approved banks.

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

The principal risks identified as relevant to the viability assessment were those relating to investment portfolio performance and its effect on the net asset value, share price

Business model (continued)

and dividends, and threats to security over the Company's assets. The Board took into account the liquidity of the Company's portfolio, the existence of the long-term fixed rate borrowings, the effects of any significant future falls in investment values and income receipts on the ability to repay and re-negotiate borrowings, grow dividend payments and retain investors and the potential need for share buybacks to maintain a narrow share price discount. The Directors assess viability over five-year rolling periods, taking account of foreseeable severe but plausible scenarios. In coming to this conclusion, the Directors have considered the impact of the Covid-19 pandemic, in particular the impact on income and the Company's ability to meet its investment objective.

The Directors believe that a rolling five-year period best balances the Company's long-term objective, its financial flexibility and scope with the difficulty in forecasting economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to June 2025.

Borrowings

The Company has a borrowing facility of £120.0 million (2019: £120.0 million) with HSBC Bank plc, of which £20.9 million was drawn at the year end (2019: £8.2 million). The Company also has a debenture totalling £30.0 million (2019: £40.0 million) and £84.4 million (2019: £84.4 million) of secured notes. The level of gearing at 30 June 2020 was 9.7% of net asset value (2019: 7.9%).

The debenture stock is due to be repaid on 31 January 2021.

Fee Arrangements with the Manager

The Board has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited in accordance with an agreement which was effective from July 2014 and can be terminated on six months' notice. Both entities are authorised and regulated by the Financial Conduct Authority, and form part of the Janus Henderson group of companies. References to "Janus Henderson" or the "Manager" refer to the services provided to the Company by the Manager's group.

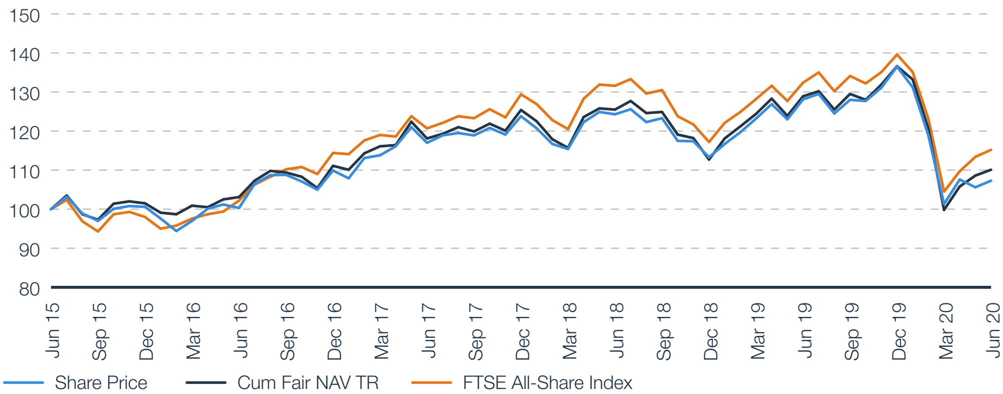
For the period 1 July 2018 to 31 December 2018, the management fee was charged at a rate of 0.365% per annum for the first £1bn of net assets reducing to 0.35% of net assets above £1bn. With effect from 1 January 2019 the management fee reduced to 0.325% per annum of net assets under management. Fees are payable quarterly in arrears based on the level of net assets at the relevant quarter end.

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

Measuring our Performance

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

KPI	Action
Performance against market indices	The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and the FTSE All-Share Index. During the year under review, the Company's net asset value underperformed the Index by 1.6% (2019: outperformed by 2.1%) on a total return basis.



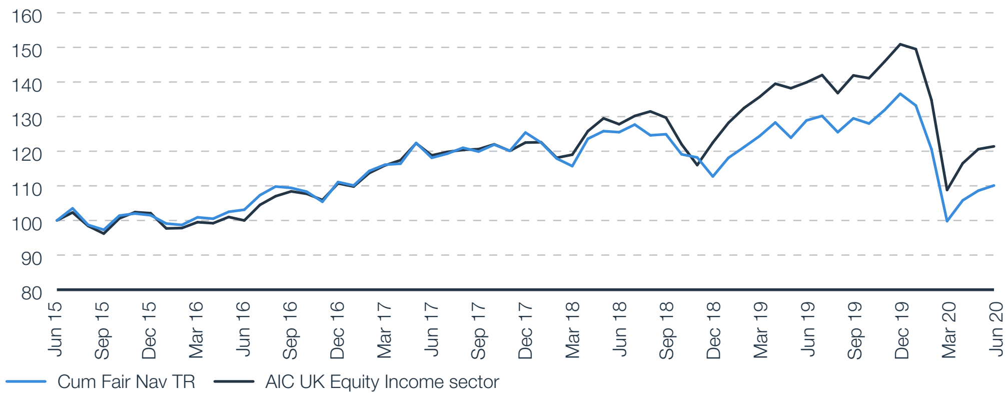
Business Model (continued)

KPI | **Action**

Performance against the Company's peer group

The Company is included in the AIC UK Equity Income sector. The Board considers the size weighted average net asset value total return of its AIC peer group at each Board meeting.

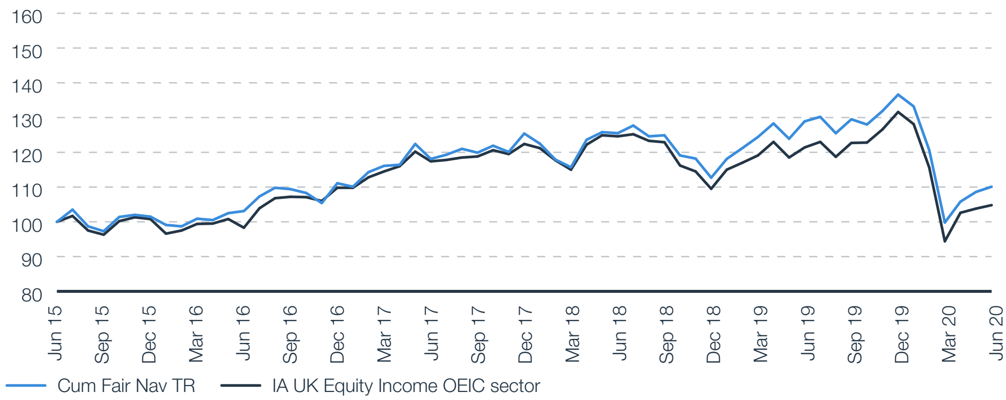
During the year under review, the Company underperformed the peer group by 0.3% (2019: outperformed by 3.5%).



Performance against the OEIC sector

The Board considers the performance of the portfolio against the IA UK Equity Income OEIC sector.

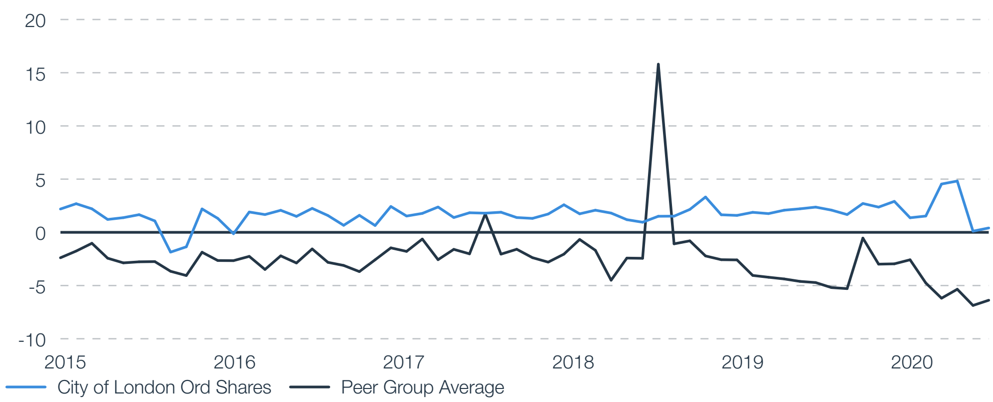
During the year under review, the Company underperformed the OEIC sector by 0.9% (2019: outperformed by 5.3%).



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

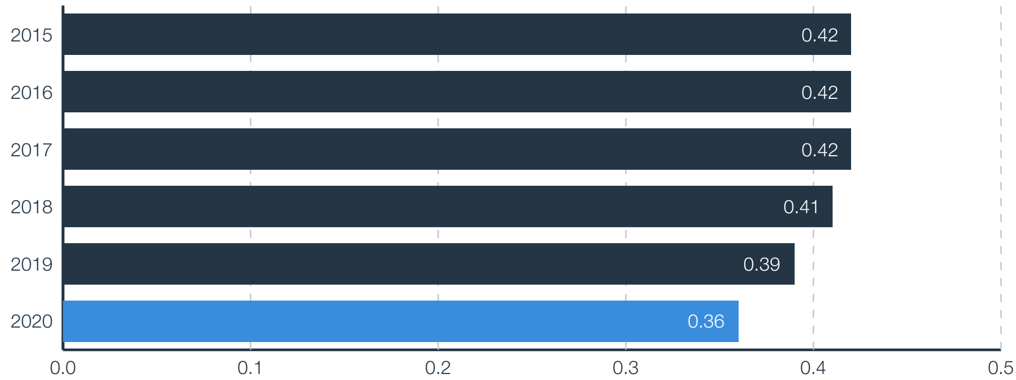
The Board's aim is for the Company's share price to reflect closely its underlying net asset value. At each Board meeting, the Board monitors the level of the Company's premium/discount to NAV per share and reviews the average premium/discount for the Company's AIC sector.

At 30 June 2020, the Company's shares were trading at a premium of 0.4% to NAV (2019: 2.2% premium) with debt at fair value.



Business Model (continued)

KPI	Action
Ongoing charge	The Board regularly reviews the ongoing charge and monitors Company expenses. For the year ended 30 June 2020, the ongoing charge as a percentage of shareholders' funds was 0.36% (2019: 0.39%).



The charts and data on pages 2 and 3 also on page 19 show how the Company has performed against these KPIs. A glossary of terms and alternative performance measures is included on pages 83 to 85.

Our Approach to Environmental, Social and Governance Matters ("ESG")

The Board has reviewed the Janus Henderson Stewardship Statement and its ESG Investment Principles. Janus Henderson supports the UK Stewardship Code, and seeks to protect and enhance value for our shareholders through active management, integration of ESG factors into investment decision making, voting and company engagement. Janus Henderson is a signatory to the United Nations Principles of Responsible Investment and an active member of a wide range of organisations and initiatives that work to promote ESG integration and responsible investment.

Janus Henderson seeks to understand how investee companies are managing ESG risks, including climate change, through their policies and processes and where their investments are targeted to evolve their business models to remain sustainable over the long term. Janus Henderson engages actively with companies and their management teams and uses a variety of sources to help identify and monitor material ESG risks, including research from their fund managers and analysts, input from the Janus Henderson Governance and Responsible Investment team and third-party data providers.

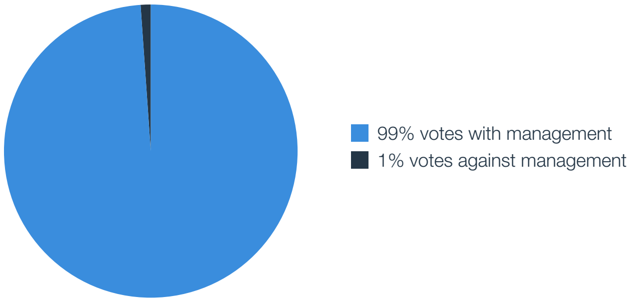
Voting

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Responsibility for voting the rights attached to the shares held in the Company's portfolio has been delegated to the Manager, who actively votes at shareholder meetings and engages with companies as part of the voting process. Janus Henderson is committed to becoming a signatory of the Stewardship Code and, as required by the FRC, will report on how they have applied the provisions in their annual Responsible Investment Review in early 2021.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Investment Principles, which set out the Manager's approach to corporate governance, corporate responsibility and compliance with the Stewardship Code, and are publicly available on the Manager's website at **www.janushenderson.com**. To retain oversight of the process, the Directors regularly receive reports on how the Manager has voted the shares held in the Company's portfolio, and they review the ESG Investment Principles at least annually.

In the period under review, investee companies held 102 general meetings. The shares held in the Company's portfolio were voted in respect of all of these meetings. The level of governance in leading global companies is generally of a high standard in terms of best practice, which meant support in favour of the resolutions proposed by management was warranted. However, in respect of 20 resolutions (1% of the resolutions proposed), support was not warranted and, following discussion between the Fund Manager and Janus Henderson's governance team, the shares were voted against the board recommendation. On occasion, the Fund Manager takes voting decisions after consultation with the Chairman on behalf of the Board.

Business Model (continued)



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

The environment

As an investment company with all of its activities outsourced to third parties, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons, the Company considers itself to be a low energy user under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose energy and carbon information.

Business ethics

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

Communicating with our Shareholders

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

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

The Fund Manager usually attends the annual general meeting and provides a presentation on the Company's performance and future outlook. Due to the ongoing restrictions on large gatherings, shareholders will be unable to attend the Annual General Meeting on 27 October 2020 in person and the Fund Manager's presentation will therefore be made available on the Company's website at **www.cityinvestmenttrust.com**.

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

Board Diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Nominations Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. The Board welcomes the recommendations from the Hampton-Alexander Review on gender diversity on boards and the Parker Review about ethnic representation on boards, and is pleased to report that it is in compliance with the recommendations of the former. Our prime responsibility is the strength of the Board and our overriding aim in making any new appointments is always to select the best candidate based on objective criteria and merit. See page 48 for further details of the Board's diversity policy.

At the date of this report, the Board is comprised of six Directors, four male and two female.

Approval

The Strategic Report has been approved by the Board.

On behalf of the Board

Philip Remnant CBE
Chairman
17 September 2020

Governance

Directors and Fund Manager

Directors

Philip Remnant CBE

Position: Chairman of the Board and Nominations Committee

Date of Appointment: 1 January 2011 (Chairman on 24 October 2011)

Skills and Experience: Philip brings to the Board substantial advisory and regulatory experience, particularly in the financial services sector. Philip was a Senior Adviser at Credit Suisse until December 2013, having previously been a Vice Chairman of CSFB Europe and Head of the UK Investment Banking Department. He was the Chairman of the Shareholder Executive between 2007 and 2012 and was Director General of the Takeover Panel from 2001 to 2003 and again in 2010. More recently, he has been Chairman of M&G Group Limited and Senior Independent Director of UK Financial Investments Limited.

Current External Appointments: Senior Independent Director of Prudential plc, a non-executive Director of Severn Trent plc and a Deputy Chairman of the Takeover Panel.

Sir Laurie Magnus

Position: Director

Date of Appointment: 1 March 2020

Skills and Experience: Sir Laurie Magnus has over 40 years of experience in corporate finance markets and over 15 years as a member of investment supervisory bodies, including as a director of various investment trusts. He has held senior positions at institutions including Samuel Montagu, Phoenix Securities, Donaldson Lufkin & Jenrette and Lexicon Partners (latterly as Chairman prior to its merger with Evercore). He is currently a non-executive adviser to Evercore's European business.

Current External Appointments: Chairman of Pantheon International plc and (until 1 October 2020) JP Morgan Multi Asset Trust Plc. In the not-for-profit sector, he is Chairman of Historic England and a trustee of English Heritage Trust, All Churches Trust and Windsor Leadership.

Sir Laurie Magnus will become Chairman of the Board following the retirement of Philip Remnant at the Annual General Meeting on 27 October 2020.

Samantha Wren

Position: Chair of the Audit Committee

Date of Appointment: 1 September 2015 (Chair of the Audit Committee on 7 July 2016)

Skills and Experience: Samantha has extensive accounting and auditing experience. Samantha was the Group Chief Finance Officer and Chief Operating Officer of NEX Group plc, having previously held senior finance roles at its predecessor company, ICAP plc. Prior to ICAP plc, she held several senior finance roles at the gaming group, The Rank Group plc, where she was also a Director of the Rank Pension Plan Trustee Limited. She qualified as a Chartered Management Accountant at Rentokil Initial plc.

Current External Appointments: Chief Executive of IPGL Limited, a privately-owned investment company and a non-executive Director of Chapel Down Group plc.

Directors and Fund Manager (continued)

Robert Holmes (Ted)

Position: Director

Date of Appointment: 1 January 2018

Skills and Experience: Ted has a strong background in investment management. Ted joined the Board following a twenty-year career at UBS Asset Management. During that time, he worked as a Managing Director in both the Chicago office (previously Brinson Partners) and London office (previously Phillips and Drew) in a variety of positions, from analyst to European Head of Equities. Prior to UBS, he worked for Ernst & Young where he earned his Certified Public Accountant license. He has an MBA from the University of Chicago Booth School of Business and is a qualified Chartered Financial Analyst.

Current External Appointments: Director of Blue Ocean Investment Partners Limited.

Martin Morgan

Position: Senior Independent Director

Date of Appointment: 1 March 2012

Skills and Experience: Martin has substantial experience in media and business-to-business operations. Martin was Chief Executive of Daily Mail and General Trust plc until May 2016, having joined the Group in 1989. He was previously Chief Executive of dmg information and also Chairman of Signal Media Limited and a non-executive Director of Euromoney Institutional Investor plc.

Current External Appointments: Chairman of Wilmington plc and the Advisory Committee of MMC Ventures Ltd.

Clare Wardle

Position: Director

Date of Appointment: 1 November 2019

Skills and Experience: Clare brings to the Board considerable international experience in risk, governance, competition and compliance. Between 2010 and May 2016, Clare played a leading role in many development and expansion projects as Group General Counsel at Kingfisher – Europe's largest home improvement retail group. She is a non-executive Director of Modern Pentathlon GB. Before joining Kingfisher, Clare was Company Secretary and General Counsel of Tube Lines Limited and prior to this she was Head of Post Office Ltd Legal. She was also formerly a non-executive Director of ViaCode Limited, Chair of Basketball England and a trustee of the Friendly Almshouses. Clare was called to the bar in 1984, joined Lovells in 1986 and moved to the Post Office in 1996.

Current External Appointments: General Counsel and Company Secretary of Coca-Cola European Partners plc, which she joined in May 2016.

Fund Manager

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

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

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

Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 June 2020.

The Investment Portfolio on pages 17 and 18, Corporate Governance Statement, Audit Committee Report and Nominations Committee Report on pages 37 to 48, Statement of Directors' Responsibilities on page 53 and Securities Financing Transactions, Alternative Performance Measures and other information on pages 81 to 89 form part of the Directors' Report.

Results and Dividends

The results for the year are set out in the financial statements. Four interim dividends of 4.75p each, totalling 19.0p per share, have been declared and paid in respect of the year to 30 June 2020, an increase of 2.2% over the previous year. See note 10 on page 70 for more information. No final dividend is being proposed.

A review of the year and the outlook for the forthcoming year can be found in the Strategic Report.

Directors

The Directors of the Company are listed on pages 32 and 33. All served throughout the period under review with the exception of Clare Wardle, who was appointed as a non-executive Director on 1 November 2019 and Sir Laurie Magnus, who was appointed as a non-executive Director on 1 March 2020. Simon Barratt retired from the Board on 1 January 2020.

Philip Remnant will be retiring at the forthcoming Annual General Meeting. In accordance with the recommendations of the AIC Code of Corporate Governance, Mrs Wardle and Sir Laurie Magnus will stand for election at the Annual General Meeting and the remaining Directors of the Board will offer themselves for re-election.

The beneficial interests of the current Directors and their connected persons in the securities of the Company as at 30 June 2020 are set out in the Directors' Remuneration Report on page 51. Details of Directors' insurance and indemnification are set out on page 41.

Share Capital

There are no restrictions on the transfer of the Company's share capital and there are no shares or stock which carry specific rights with regards to control of the Company. The Company is not aware of any agreements or arrangements between holders of securities which would result in restrictions on the transfer of securities or voting rights.

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

Ordinary shares of 25p nominal value each

The voting rights of the ordinary shares on a poll are one vote for every 15 shares held. At the beginning of the year, there were 378,834,868 ordinary shares in issue. During the year, 37,570,000 shares (representing 9.9% of the number of shares in issue at the beginning of the year) were issued to Cenkos Securities plc at a price range of 298.5p – 444.5p for total proceeds (net of commissions) of £148,648,000. At 30 June 2020, the number of ordinary shares in issue (with voting rights) was 416,404,868.

No new shares have been issued since 30 June 2020 and up to 16 September 2020, being the last practicable date prior to publication of the Annual Report.

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 2019 and at 30 June 2020 there was £301,982 of first preference stock in issue.

Non-cumulative second preference stock

Second preference stockholders have no rights to attend and vote at general meetings (except on the winding-up of the Company or if dividends are in arrears). At 1 July 2019 and at 30 June 2020 there was £507,202 of second preference stock in issue.

Non-cumulative preferred ordinary stock

The voting rights of the preferred ordinary stock on a poll are one vote per £20 of stock held. At 1 July 2019 and at 30 June 2020 there was £589,672 of preferred ordinary stock in issue.

Further details on the first and second preference stock and the preferred ordinary stock are contained in note 15 on pages 72 and 73.

Total voting rights

At 30 June 2020, the total voting rights in the Company were 27,820,006, comprised of 27,760,324 ordinary share voting rights (99.8%), 30,198 first preference stock voting rights (0.1%) and 29,484 preferred ordinary stock voting rights (0.1%).

Shareholder authorities

The Directors seek annual authority from the shareholders to allot new ordinary shares, to dis-apply the pre-emption rights of existing shareholders, and to buy back, for cancellation or to be held in treasury, the Company's ordinary shares. In addition, the Directors seek annual authority to buy back and cancel the Company's preferred and preference stocks.

At the annual general meeting held on 24 October 2019, the Directors were granted authority to allot up to 38,612,486 ordinary shares (with an aggregate nominal amount of £9,653,122) for cash and to repurchase 57,880,117 ordinary shares (with a nominal value of £14,470,029) for cancellation or to be held in treasury. At the general meeting held on 11 May 2020, the Directors were granted authority to allot up to 41,617,984 ordinary shares (with an aggregate nominal amount of £10,404,496) for cash, replacing the residual authorities granted at the annual general meeting. 225,000 shares have been issued under this authority. During the year and up to the date of this report, the Directors have not bought back any ordinary shares or the preferred or preference stocks.

Directors' Report (continued)

The Directors will once again be seeking to renew the authorities to allot and repurchase the ordinary shares at the upcoming Annual General Meeting, when the existing authorities will expire.

The Board's aim is for the Company's share price to reflect closely its underlying net asset value and have a liquid market in the ordinary shares. For this reason, the Board has, when appropriate, sought to utilise the Company's ability to issue additional ordinary shares to satisfy investor appetite and smooth share price volatility by preventing the build-up of excessive demand for the ordinary shares. By issuing the shares at a premium to net asset value, the Board seeks to protect the interests of existing shareholders so they benefit from an enhancement to NAV, to increase liquidity and to spread the fixed costs of the Company over a larger asset base. The Board also seeks to ensure that the price at which new ordinary shares are issued remains attractive to potential investors.

The Directors believe that, from time to time and subject to market conditions, it continues to be in the shareholders' interests to buy back the Company's shares when they are trading at a discount to the underlying net asset value per share. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders. Authority will also be sought to renew the current authorities, which expire at the upcoming Annual General Meeting, to repurchase the preferred and preference stocks.

Holdings in the Company's Shares

There are no declarations of interests in the voting rights of the Company as at 30 June 2020 in accordance with the Disclosure Guidance and Transparency Rules of the FCA.

No changes have been notified in the period from 1 July 2020 to 16 September 2020.

Fund Manager's Interests

Job Curtis, the Fund Manager, has a beneficial interest in 277,794 and a non-beneficial interest in 17,028 shares.

Related Party Transactions

The Company's transactions with related parties in the year were with the Directors and the Manager. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 51.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the provision of marketing services, there have been no material transactions with the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in note 23 on page 79.

Financial Risk Management

The principal risks and uncertainties facing the Company are set out on pages 25 and 26. The principal financial risks and the Company's policies and procedures for managing these risks are set out in note 16 to the financial statements on pages 73 to 77.

Greenhouse Gas Emissions

The Company's environmental statements are set out in the Strategic Report on page 30.

Annual General Meeting

The Annual General Meeting will be held on 27 October 2020 at 2.30pm at the Company's registered office. The Notice of Meeting and details of the resolutions to be put to shareholders at the Annual General Meeting are contained in the separate circular being sent to shareholders with this report.

Due to the ongoing restrictions on large gatherings, shareholders will be unable to attend the Annual General Meeting on 27 October 2020 in person and it will be held as a 'closed meeting'. Voting on the resolutions to be proposed at the Meeting will be conducted on a poll, and shareholders will be able to submit their Forms of Proxy electronically as well as by post. Shareholders with shares held in their own names will receive a Form of Proxy enabling them to vote. Shareholders holding shares on share dealing platforms should contact their platform directly to vote their shares for the upcoming annual general meeting.

Directors' Statement as to Disclosure of Information to Auditors

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

Reappointment of Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as Auditors to the Company and a resolution proposing their reappointment and authorising the Audit Committee to determine their remuneration for the ensuing year will be put to shareholders at the Annual General Meeting. Further information in relation to their reappointment can be found in the Audit Committee Report on pages 44 to 46.

Directors' Report (continued)

Listing Rule 9.8.4

Listing Rule ("LR") 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information of which is detailed on page 34 under Share Capital.

Securities Financing Transactions

As the Company undertakes securities lending, it is required to report on securities financing transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the accounting period ended 30 June 2020 are detailed on pages 81 and 82.

Approval

The Directors' Report has been approved by the Board.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
17 September 2020

Corporate Governance Report

Corporate Governance

The Board is accountable to shareholders for the governance of the Company's day-to-day affairs and is pleased to report to shareholders on the Company's governance arrangements and how the principles of the applicable codes have been applied during the year under review.

Applicable Corporate Governance Codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the 2018 UK Corporate Governance Code ("UK Code") have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations and all day-to-day activities are outsourced to external service providers. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2019 ("AIC Code"). The AIC Code addresses the principles set out in the UK Code as well as additional principles and recommendations on issues that are of specific relevance to investment companies. The Financial Reporting Council ("FRC") has endorsed the AIC Code and confirmed that, by following it, the boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. The Board considers that reporting against the principles and provisions of the AIC Code provides more relevant information to shareholders in terms of its governance arrangements.

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

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

Statement of Compliance

The Company has complied with the principles and provisions of the 2019 AIC Code throughout the year to 30 June 2020 except as set out below.

The Company has no chief executive or other executive directors and therefore has no need to consider the remuneration of executive directors and has therefore not reported further in respect of these provisions. In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function. However, the Audit Committee considers the need for such a function at least annually (see page 43 for further information).

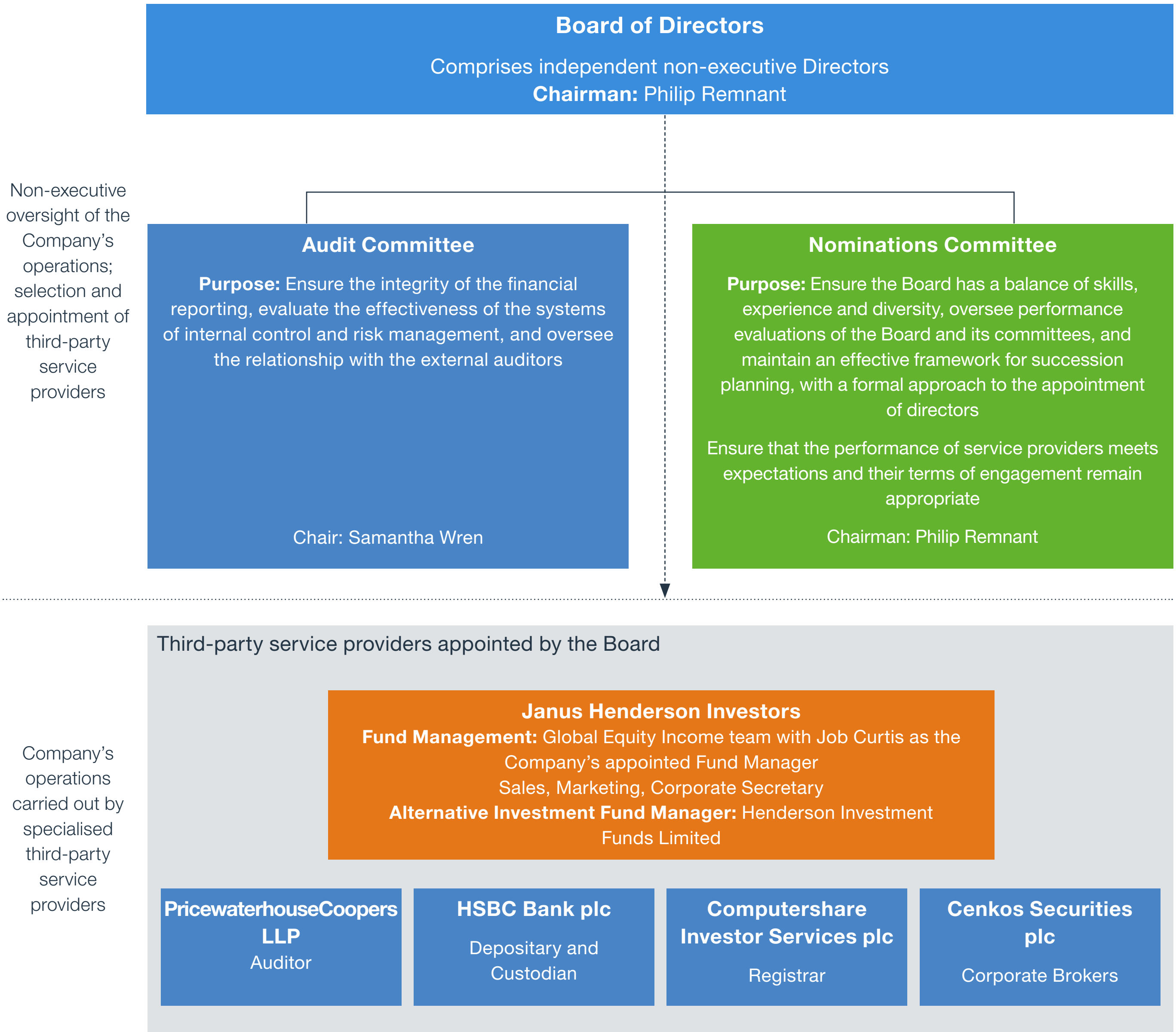
As the Company has no employees and has a small Board of solely non-executive Directors, the Board has not established a separate Remuneration Committee. The remuneration of Directors is dealt with by the Board as a whole.

Given the business model operated by the Company and the importance of the role of the Manager in ensuring the success of the Company, the Board believes that it remains its responsibility to keep under review the level of service provided by the Manager. It is assisted in this by the Nominations Committee, as set out in the Nominations Committee Report on pages 47 and 48. Accordingly, a separate Management Engagement Committee has not been formed.

The AIC Code includes two deviations from the UK Code permitting the Chairman of the Board to be a member of the Audit Committee and for his or her tenure to exceed nine years. The Company has not taken advantage of these provisions and continues to comply with the provisions of the UK Code in this respect.

Corporate Governance Report (continued)

Governance Structure



The Board

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 comprises six non-executive directors, whose biographies are included on pages 32 and 33. These biographies demonstrate the breadth of investment, financial, commercial and professional experience relevant to their positions as Directors. All Directors are considered by the Board to be independent of the Manager and free of any relationship which could materially interfere with the exercise of their independent judgement.

Chairman and Senior Independent Director

The Chairman was independent on appointment in accordance with the criteria set out in the AIC Code and has no relationships that may create a conflict of interest between his interests and those of shareholders. Details of his other significant commitments can be found on page 32. Following review by the Nominations Committee as part of the performance evaluation, the Board is satisfied that Philip Remnant has sufficient time to devote to the Company.

The role of the Senior Independent Director is to fulfil the role of sounding board for the Chairman and intermediary for the

Corporate Governance Report (continued)

other Directors as necessary and to lead the performance evaluation of the Chairman, as well as acting as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate. Simon Barratt was the Senior Independent Director until his retirement. Martin Morgan has since been appointed as the new Senior Independent Director.

Role descriptions for the Chairman and Senior Independent Director are available on the Company's website.

Role and operation of the Board

The Board has overall responsibility for the Company's affairs and for promoting the long-term success of the Company. The Board is collectively responsible for providing leadership, setting the investment objective and policy, appointing the Company's third-party service providers, establishing a robust internal control and risk management system and monitoring the performance delivered by service providers within the established control framework. It is also responsible for setting the Company's standards and values and for ensuring that its obligations to its shareholders and other stakeholders are understood and met. Information relating to the Company's purpose and values can be found on page 21 and to the Board's engagement with stakeholders on pages 23 and 24.

The Board meets formally at least seven times a year, with additional Board or Committee meetings arranged when required. The Directors have regular contact with the Manager between meetings. All matters that are not delegated to the Manager under the management agreement are reserved for the Board's decision. The Board has a formal schedule of matters specifically reserved for its decision, which include strategy and management, structure and capital, financial reporting and controls, internal controls and risk management, communications and public relations, gearing, asset allocation, share price premium/discount, contracts, investment policy, finance, performance, corporate governance and Board membership and appointments. A copy of the schedule of matters reserved is available on the Company's website.

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

The Board has engaged third-party service providers to deliver the operations of the Company. Management of the investment portfolio has been delegated contractually to Janus Henderson, which also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a Depositary, HSBC Bank plc, who in turn appoints the Custodian who is responsible for the safe custody of the Company's assets. The Company has appointed a Registrar, Computershare Investor Services plc, to maintain the Register of Members and assist shareholders with queries in respect of their holdings. Each of these principal contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board and its Committees maintain oversight of the third-party service providers through regular and ad hoc reporting. The Board meets annually with representatives from the Depositary and Custodian to discuss amongst other matters performance, service levels, their value for money, information security and business continuity plans.

Full and timely management, financial, regulatory and other relevant information is provided to all Directors to allow them to discharge their responsibilities and to enable the Board (and its Committees) to function effectively. In particular, the Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

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

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear

Corporate Governance Report (continued)

distinction between the two entities, particularly when dealing with any conflicts or issues between the Company and Janus Henderson. Any correspondence from shareholders addressed to the Chairman or the Company received at Janus Henderson's offices is forwarded to the Chairman in line with the audited procedures in place. Any correspondence is submitted to the next Board meeting.

Janus Henderson and BNP Paribas Securities Services, which is engaged by Janus Henderson, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters. These arrangements are reviewed at least annually by the Audit Committee.

The Board, the Manager and the Corporate Secretary operate in a supportive, co-operative and open environment.

Arrangements with Directors

Directors' appointment and retirement

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

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

In keeping with the provisions of the AIC Code, the Board has adopted a policy for all Directors to retire and stand for re-election annually at each annual general meeting

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

The Board considers a potential candidate's other commitments on appointment and then annually through the performance evaluation process to ensure that Directors have sufficient time to commit to the Company. A schedule of Directors' other commitments are reviewed at each Board Meeting and Directors are required to seek the Chairman's approval prior to accepting further appointments.

Directors' tenure

In advance of each annual general meeting, the Nominations Committee will consider and make recommendations to the Board about whether it is appropriate for Directors who are eligible to be recommended for re-appointment, taking into account the results of the annual performance evaluation and the ongoing requirements of the AIC Code.

The Board's policy for Directors, including the Chairman, is that they serve for no more than nine years, other than in exceptional circumstances. This ensures the regular refreshment of the Board and its Committees and forms an integral part of the Board's succession planning.

As set out in the Chairman's Statement, Philip Remnant will be retiring at the forthcoming Annual General Meeting. Sir Laurie Magnus will become Chairman on Mr Remnant's retirement.

Directors' independence

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

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

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

Directors' professional development

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

Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars and may do so at the expense of the Company.

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

Corporate Governance Report (continued)

Directors' Conflicts of Interest

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

Directors' Insurance and Indemnification

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

Board Attendance

The table below sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each Director. All Directors attended the 2019 Annual General Meeting. The number in brackets denotes the number of meetings each was entitled to attend.

	Board	Audit Committee	Nominations Committee
Number of meetings	7	3	2
Simon Barratt[1]	3 (4)	0 (1)	1 (2)
Ted Holmes	7 (7)	3 (3)	2 (2)
Sir Laurie Magnus[2]	2 (2)	n/a	0 (0)
Martin Morgan	7 (7)	n/a	2 (2)
Philip Remnant	7 (7)	n/a	2 (2)
Clare Wardle[3]	4 (4)	2 (2)	0 (0)
Samantha Wren	7 (7)	3 (3)	2 (2)

1 Retired 1 January 2020
2 Appointed 1 March 2020
3 Appointed 1 November 2019

The Insider Committee did not meet during the year.

Committees of the Board

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

Audit Committee

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

The Audit Committee Report can be found on pages 44 to 46.

Nominations Committee

The Nominations Committee advises the Board on the composition of the Board and its committees, in making appointments to the Board and ensuring suitable succession plans are in place for the Directors and Fund Manager. It also reviews and monitors the engagement and performance of the Manager and other third-party service providers.

The Nominations Committee Report can be found on pages 47 and 48.

Internal Control and Risk Management

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness, as set out in the chart on the following page. The Audit Committee supports the Board in the continuous monitoring of the internal control and risk management framework. Details of the principal risks facing the Company, including emerging risks, and how these are mitigated are set out on pages 25 and 26.

Corporate Governance Report (continued)

System of Internal Controls

How the system of internal control operates

The Board delegates contractually to third-party service providers for all of the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities. All are considered key stakeholders.

The Company's principal third-party service providers are the Manager (Janus Henderson); the Depositary/Custodian (HSBC Bank plc) and the accountants (BNP Paribas Securities Services).

In respect of its principal providers, the Board receives quarterly reporting on compliance with the control environment and assesses the effectiveness of the control environment through review of the annual assurance reports from each organisation. This reporting is supplemented by the view of the Manager's Risk Team regarding the control environments in operation at the providers.

The Company's secondary service providers report regularly to the Board. A failing in their services is deemed to have a minimal impact on the Company's value and therefore less stringent reporting is required.

The Nominations Committee formally evaluates the performance and service delivery of all third-party service providers at least annually.

The Audit Committee evaluates the performance of the Auditors on completion of each audit cycle.

PricewaterhouseCoopers LLP
(Independent Auditors)

Board of Directors
(comprised entirely of non-executive Directors)

Principal third-party service providers

- receive regular reporting at meetings;
- review the annual assurance report produced by each organisation;
- receive additional reporting on the control environment from the Manager's Risk Team;
- receive reporting from the Manager's Internal Audit Team on areas relevant to investment trusts; and
- formally evaluate performance on an annual basis.

Janus Henderson
(Investment management, company secretarial, sales, marketing, PR and administration)

Reporting
- Investment performance update (at each meeting)
- Compliance with investment limits and restrictions (monthly)
- Internal controls report (quarterly)
- Effectiveness of control environment (annually)

HSBC
(Depositary & Custodian)

Reporting
- Depositary report (quarterly)
- Presentation from the Depositary and Custodian (annually)
- Effectiveness of control environment (annually)

BNP Paribas
(Accounting services (engaged by the Manager))

Reporting
- Balance sheet
- Liquidity and gearing
- Revenue forecasts
- Portfolio valuation
- Portfolio transactions
- Effectiveness of control environment (annually)

Secondary third-party service providers

- receive regular reporting on their activities at meetings; and
- formally evaluate performance on an annual basis.

Computershare
(Registrar)

Cenkos Securities
(Corporate Broker)

Corporate Governance Report (continued)

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

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis. The Nominations Committee, which consists of all Board members, conducts a formal evaluation of the overall level of service provided at least annually (see Nominations Committee Report on pages 47 and 48);
- the review of controls (including financial, operational and compliance) at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and Depositary, reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and
- review of additional reporting provided by:
  - the Manager's Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third-party service providers used by the Company; and
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has carried out a review of the effectiveness of the Company's system of internal controls for the year ended 30 June 2020. During the course of its review the Board has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as material.

Internal Audit Function

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

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

The Manager's Risk team supports the Audit Committee in considering the independently audited reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit department provides regular reporting to the Board on the operations at the Manager and presents at least annually to the Audit Committee. The Board considers this annually and continues to conclude that it is not necessary at the present time for the Company to have its own internal audit function.

Continued Appointment of the Manager

The Board monitors investment performance at each meeting, including information about performance relative to the benchmark and competitors in the AIC's UK Equity Income sector, receives updates in respect of professional sales and marketing activities carried out by the Manager for the Company twice annually and receives a formal recommendation from the Nominations Committee in respect of the continued appropriateness of the terms of the management agreement at least annually.

The assessment of the Manager by the Nominations Committee included consideration of the quality of the team involved in all aspects of servicing the Company, including company secretarial, administration, sales and marketing, the Manager's use of gearing and management of the portfolio's risk profile, the stability of the management group, its business priorities and the adequacy of succession planning.

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

Communication with Shareholders

Please see page 30 for information about how the Company communicates with shareholders.

Audit Committee Report

I am pleased to present the Audit Committee Report for the year ended 30 June 2020.

Membership

The members of the Audit Committee ("Committee") are Samantha Wren, Clare Wardle and Ted Holmes. The Committee is chaired by Samantha Wren, who is considered by the Board to have recent and relevant financial experience, and the Committee as a whole has competence relevant to the sector in which the Company operates and to the Company as an investment trust. Other Directors may attend meetings by invitation of the Chair.

Meetings

The Committee usually meets at least three times a year, to review the half-year results, the annual results and to review the Company's internal controls. It met three times in the year under review. The Company's Auditors, the Fund Manager and the Manager's Financial Reporting Manager for Investment Trusts are invited to attend meetings of the Committee on a regular basis. Other representatives of the Manager and BNP Paribas Securities Services may also be invited to attend if deemed necessary by the Committee.

Role and Responsibilities

The primary responsibilities of the Audit Committee are to ensure the integrity of the Company's financial reporting, including oversight of the preparation and audit of the annual accounts; to monitor and review the effectiveness of the systems of internal control and risk management in place at the Manager and the Company's other third-party service providers; and to monitor the effectiveness and objectivity of the external Auditors and make recommendations to the Board regarding their appointment, re-appointment or removal.

The Audit Committee formally reports to the Board after each meeting and its responsibilities are set out in formal terms of reference which are reviewed at least annually.

In the year under review, the Committee considered the following matters:

- **Annual and half year reports**
  The appropriateness of the Company's accounting policies and of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

  The disclosures made in the reports in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the Board.

- **Independent Auditors**
  The nature, scope and cost of the external audit and reviewing the Auditors' findings in this respect.

  The appointment and evaluation of the independence, effectiveness and objectivity of the Auditors.

- **Internal controls and management of risk**
  The principal risks facing the Company, including consideration of emerging risks, the risk management systems in place and the Company's risk map.

  Reports on the effectiveness of the internal controls in place at Janus Henderson and the Company's other principal third-party service providers.

  Compliance with the terms of the debenture stock and loan notes in issue.

  The need for the Company to have its own internal audit function.

  The whistleblowing arrangements in place at the Manager for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence and whether this includes the necessary arrangements for independent investigation and follow up action.

  The Manager's policies in relation to information security and business continuity, meeting with representatives of Janus Henderson's internal audit and risk departments periodically.

  The Company's anti-bribery policy, approach to tax evasion and the confirmations received from third-party service providers as to whether they have appropriate procedures in place in these respects.

  The annual confirmation from the Company's Depositary in respect of the safe-keeping of the Company's assets.

Appointment and Tenure of the Auditors

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

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

Audit Committee Report (continued)

is in place for the year ending 30 June 2025 at the latest. The proposed tender period is considered to be in the best interests of shareholders and the Company as PwC have a detailed knowledge of our business, an understanding of the industry in which we operate and continue to demonstrate that they have the necessary expertise and capability to undertake the audit.

The Committee confirms that the Company is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. This order relates to the frequency and governance of tenders for the appointment of the external auditors and the setting of the policy on the provision of non-audit services.

Auditors' Independence

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

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

Audit Fees

The fees payable to the Auditors for audit services were £38,000 (2019: £31,000) (inclusive of VAT).

Policy on Non-audit Services

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

Since the appointment of PwC in 2009, the Company has only engaged them on one occasion, in 2010, to undertake non-audit services, and no such services were provided in the year under review (2019: nil).

Audit for the Year ended 30 June 2020

In the year under review, PwC challenged both the Manager's and the Board's judgements and exercised professional scepticism. The audit team required detailed evidence of all metrics, numbers and disclosures made within the Annual Report to support a robust assessment and evaluation of the financial information contained therein.

The Committee is satisfied that the Annual Report for the year ended 30 June 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In relation to the Annual Report for the year ended 30 June 2020, the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	The Directors have appointed the Manager, who outsources some of the administration and accounting services to BNP Paribas Securities Services, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, the Manager has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. Ownership of listed investments is verified by reconciliation to the Custodian's records and the Directors have received quarterly reports of the Depositary, who has responsibility for overseeing the Company's operations, including verification of ownership and valuation.
Recognition of income	Income received, including special dividends, is accounted for in line with the Company's accounting policy (as set out on page 65). Special dividends, and their treatment as revenue or capital, have been reviewed by the Committee and the rationale agreed. The Board reviews revenue forecasts at each Board meeting in support of the Company's future dividends.

Audit Committee Report (continued)

Significant issue	How the issue was addressed
Maintaining internal controls	Information about the internal control and risk management framework adopted by the Company is set out in the Corporate Governance Statement on pages 41 to 43. The Committee receives regular reports on internal controls from Janus Henderson, BNP Paribas Securities Services, HSBC Bank plc and Computershare Investor Services plc and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The assurance reports for two of the Company's service providers were qualified by the respective service auditor. The Committee reviewed the instances giving rise to the qualifications and received confirmation that appropriate action to address the issues identified in the report was being taken and that the exceptions identified had no impact on the Company. The Committee also meets annually with representatives from Janus Henderson and HSBC Bank plc to discuss and challenge their reports.
Maintenance of investment trust status	The Committee has considered regularly the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP Paribas Securities Services.

Effectiveness of the External Audit

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

The Auditors are able to present and discuss the findings of the latest Audit Quality Inspection Report and report on the progress made by the firm in terms of addressing the areas identified for improvement in the prior year's report.

In assessing the effectiveness of the audit process, the Committee Chair invites views from the Directors, the Fund Manager and other members of the Manager's staff in assessing the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting to the Committee. The Committee also met privately with the Audit Partner to discuss how the audit operated from his perspective.

Overall, the Committee considers that the audit quality for the year ended 30 June 2020 has been high and that the Manager and PwC have worked together to enhance and improve reporting to shareholders.

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

Samantha Wren
Chair of the Audit Committee
17 September 2020

Nominations Committee Report

Membership

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

Meetings

The Committee met twice during the year and once following the year end.

Role and Responsibilities

The Committee advises the Board on the composition of the Board and its committees, in making appointments to the Board and ensuring suitable succession plans are in place for the Directors and the Fund Manager. It also reviews and monitors the engagement and performance of the Manager and other third-party service providers.

Its principal responsibilities include reviewing the structure, size and composition of the Board and its Committees and leading the search for suitable candidates to fill roles as required, taking into consideration the balance of skills, knowledge, experience and diversity on the Board; ensuring annual performance evaluations are carried out, discussing the outcomes from those evaluations and making recommendations to the Board; and considering the proposed election and re-election of Directors ahead of each annual general meeting.

Succession Planning and Recruitment

When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience and diversity existing on the Board. Once a decision is made to recruit an additional Director, a formal job description is drawn up. The Committee will engage external recruitment agencies to facilitate the search. The Committee will assess candidates against objective criteria and with due regard for the benefits of diversity on the Board (including gender, social and ethnic backgrounds, as well as cognitive and personal strengths), taking care that any candidates recommended for appointment will be able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

The Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Committee also takes into account the mix of skills and experience of the current Board members.

Appointment of Directors

Details about the process for the appointment of Clare Wardle, who was appointed as a Director with effect from 1 November 2019, were included in the 2019 Annual Report. That Report also noted that, as part of the process for continual refreshment and taking into account his length of service, the Committee had commenced the search for a new Director who would replace Philip Remnant as Chairman following his planned retirement at the 2020 Annual General Meeting. Mr Remnant played no part in the search or appointment for the successor Chairman, and the process was led by Mr Barratt, the Senior Independent Director.

Following a review of specialist recruitment agencies, Cornforth Consulting ("Cornforth") were appointed to assist in the search. No open advertising was used as the Committee believes that targeted recruitment is the optimal way of recruiting. Cornforth do not undertake any other services for the Company and has no connection with any of the Directors.

A long list of candidates was prepared by Cornforth and discussed with the Committee. The preferred candidates were invited for interviews with Simon Barratt, Samantha Wren and Ted Holmes, and also met separately with Martin Morgan. Candidates were evaluated based on their business experience paying attention to the skills that the Committee wished to retain on the Board, their cognitive and personal strengths and their suitability to the role of Chairman of the Company. The candidates' other commitments were also considered as part of the process.

Following the conclusion of the process the Committee was pleased to recommend to the Board the appointment of Sir Laurie Magnus. Sir Laurie was appointed as a Director with effect from 1 March 2020.

Directors' Performance Evaluation

Each year, the Committee assesses the composition of the Board and its performance, including that of individual Directors. Every three years an external review is conducted. Last year, the evaluation was facilitated by Lintstock (who also carried out the previous external review in 2016). This year, the review was undertaken internally using a questionnaire approach. In the temporary absence of a Senior Independent Director at the time of the evaluation process, the appraisal of the Chairman was led by Samantha Wren, the Chair of the Audit Committee.

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

Following completion of the review, the Committee concluded that the Board remained highly effective, with a very good range of skills represented on the Board and a clear understanding of the risks facing the Company. Mrs Wren also reported that the Chairman continued to provide effective leadership.

Nominations Committee Report (continued)

Diversity Policy

All Board appointments are subject to a formal, rigorous and transparent procedure. The Company seeks to ensure that any Board vacancies are filled by the most qualified candidates based on objective criteria and merit and in the context of the skills, knowledge and experience that are needed for the Board to be effective.

The Board acknowledges and welcomes the recommendations from the Hampton-Alexander Review on gender diversity on boards and the Parker Review about ethnic representation on boards. Whilst the Board does not feel that it would be appropriate to use specific diversity targets, given its small size, the Directors acknowledge that diversity is important to ensure that the Company can draw on a broad range of backgrounds, skills, knowledge, experience and perspectives to achieve effective stewardship of the Company. An integral part of the appointment process includes the consideration of diversity generally, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths and experience. The Nominations Committee ensures that long lists of potential non-executive Directors include diverse candidates of appropriate experience and merit.

In all the Nominations Committee's activities, there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

Performance of Third-party Service Providers

Each year, the Committee carries out an evaluation of the Manager and the Company's key third-party service providers and their respective terms of engagement.

The Committee's evaluation of the Manager includes assessing whether the contractual arrangements and remuneration structure in place remain appropriate and competitive and in the interests of shareholders as a whole. The Committee also considers the arrangements in place at Janus Henderson in terms of a short-term incapacity of the Fund Manager and succession planning for the Fund Manager over the longer term. The evaluation includes consideration of the quality of the team involved in all aspects of servicing the Company and a review of the stability of the management group and its business priorities.

Following its review, the Committee concluded that it was in the interests of shareholders as a whole to recommend to the Board that the appointment of the Manager should continue on the existing terms. The Committee also recommended the continuation of the appointment of the other key third-party service providers.

Philip Remnant
Nominations Committee Chairman
17 September 2020

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy ("the Policy") sets out the principles applied in the remuneration of the Company's Directors. The Policy was last approved by shareholders at the annual general meeting on 31 October 2017. Shareholders will be asked to re-approve the Remuneration Policy at the 2020 Annual General Meeting, which will then continue into force until the annual general meeting in 2023.

The Remuneration Policy has been reviewed to meet the requirements of The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and an annual aggregate limit to total Directors' fees has been added. No substantive changes have been made to how the Policy will be implemented. Further details can be found in the Notice of Meeting that has been sent to shareholders with this report. It is also available on the website: **www.cityinvestmenttrust.com**.

The Board has not established a separate remuneration committee and matters relating to Directors' remuneration are dealt with by the Board as a whole. Individual Directors do not participate in discussions relating to their own remuneration. The appropriateness and relevance of the Remuneration Policy is reviewed at least annually, particularly in terms of whether the policy supports the Company's long-term sustainable success. In determining the Remuneration Policy, the Board takes into account all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Code and the AIC Code and fees paid to comparable investment trusts.

The objective of the Remuneration Policy is to attract, retain and motivate non-executive Directors of the quality required to manage the Company successfully. The Company's approach is that fees payable to the non-executive Directors should reflect the time spent on the Company's affairs, reflect the responsibilities borne by the Directors, and be sufficient to promote the long-term success of the Company.

Directors are remunerated in the form of fees payable, to the Director personally, quarterly in arrears. Fees are pro-rated where a change takes place during a financial year. The total annual aggregate fees payable to Directors shall not exceed £350,000.

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

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

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

Letters of appointment

All Directors are non-executive and are appointed under a Letter of Appointment. No Director has a service contract with the Company. There are no set notice periods and a Director may resign by notice in writing to the Board at any time and no compensation is payable for loss of office.

Recruitment principles

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

The Board will not pay any introductory fee or incentive to any person to encourage them to become a Director, but may pay the fees of search and selection specialists in connection with the appointment of any new non-executive Director.

The Company intends to appoint only non-executive Directors for the foreseeable future.

Views of shareholders

Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing levels of remuneration.

Directors' Remuneration Report (continued)

Annual Report on Remuneration

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"). The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration.

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

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

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

Statement from the Chairman

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

Following consideration of the fees paid by other investment companies in the peer group, the fees paid in other sectors and those paid by the Janus Henderson managed investment trusts, the Directors' fees were increased with effect from 1 January 2020 by 2.5% (rounded to the nearest £100), in line with inflation. The new rates are as set out in the table below. The increases were to ensure that the Directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new Directors. There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

The Board is satisfied that the changes to the remuneration of the Directors is compliant with the Directors' Remuneration Policy approved by shareholders at the 2017 annual general meeting. There will be no significant change in the way that the Remuneration Policy will be implemented in the course of the next financial year.

Table of Directors' annual fees

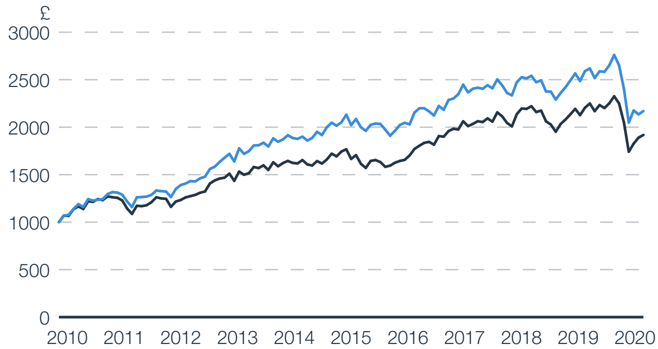
The current fees for specific responsibilities are set out in the table below. No fees are payable for membership of the Nominations Committee.

Role	**Rate at 30 June 2020 £**	Rate at 30 June 2019 £
Chairman of the Board	47,700	46,500
Chair of the Audit Committee	35,700	34,800
Senior Independent Director	32,800	32,000
Other non-executive Directors	29,800	29,100

Performance

The chart below illustrates the total shareholder return for a holding in the Company's shares over the ten-year period to 30 June 2020 as compared with the FTSE All-Share Index, which was adopted as the Company's benchmark index with effect from 1 July 2019.

Total return performance over the ten year period to 30 June 2020



City of London share price total return, assuming the investment of £1,000 on 30 June 2010 and the reinvestment of all dividends (excluding dealing expenses)

FTSE All-Share Index total return, assuming the notional investment of £1,000 on 30 June 2010 and the reinvestment of all income (excluding dealing expenses)

Sources: Morningstar for the AIC and Refinitiv Datastream

Directors' Remuneration Report (continued)

Directors' remuneration (audited)

The remuneration paid to the Directors who served during the year ended 30 June 2020 and 30 June 2019 was as follows:

	Year ended 30 June 2020 Total salary and fees £	Year ended 30 June 2019 Total salary and fees £	Change† %	**Year ended 30 June 2020 Total expenses and taxable benefits £**	Year ended 30 June 2019 Total expenses and taxable benefits £	**Year ended 30 June 2020 Total £**	Year ended 30 June 2019 Total £
Simon Barratt[1]	16,000	30,150	n/a	–	–	16,000	30,150
Ted Holmes	29,450	28,700	2.6	–	–	29,450	28,700
Sir Laurie Magnus[2]	9,933	–	n/a	–	–	9,933	–
Martin Morgan	29,450	28,700	2.6	–	–	29,450	28,700
Philip Remnant[3]	47,100	45,800	2.8	–	–	47,100	45,800
Clare Wardle[4]	19,724	–	n/a	–	–	19,724	–
Samantha Wren[5]	35,250	34,313	2.7	–	–	35,250	34,313
Total	**186,907**	**167,663**		**–**	**–**	**186,907**	**167,663**

Notes:

The amounts paid by the Company to the Directors were for services as non-executive Directors. The table above omits other columns set out in the relevant regulations because no payments of other types such as performance-related pay and pension related payments were made. No variable pay was paid to any Director

† In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, this column shows the annual percentage change over the preceding financial year and the relevant financial year in respect of each Director that has served for a minimum of two financial years. The Board will publish this annual percentage change cumulatively each year going forward until there is an annual percentage change over the five financial years preceding the relevant financial year to meet the legislative requirements

1 Senior Independent Director; ceased to be a Director on 1 January 2020. 2 Appointed a Director on 1 March 2020. 3 Chairman and highest paid Director. 4 Appointed a Director on 1 November 2019. 5 Chair of the Audit Committee

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

Directors' interests in shares (audited)

	Ordinary shares of 25p	
Beneficial interest:	**30 June 2020 (or date of retirement, if earlier)**	1 July 2019 (or date of appointment, if later)
Simon Barratt	21,627	21,627
Ted Holmes	5,000	5,000
Sir Laurie Magnus	50,000	50,000
Martin Morgan	23,900	23,900
Philip Remnant	73,210	73,210
Clare Wardle	16,447	2,483
Samantha Wren	8,912	8,912

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the Directors' holdings in the period from 1 July 2020 to the date of this report. No Director has any interests in the preference or preferred stock or debenture stock of the Company.

The Company does not have a shareholding requirement for Directors.

Relative importance of spend on pay

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

	2020 £	2019 £	Change £	Change %
Total remuneration	186,907	167,663	19,244	+11.5
Ordinary dividends paid	75,099,137	66,899,153	8,199,984	+12.3

Statement of voting at annual general meetings

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

Directors' Remuneration Report (continued)

An ordinary resolution adopting the Annual Report on Directors' Remuneration was approved at the annual general meeting held on 24 October 2019. The votes cast by proxy in favour of the resolution were 5,761,338 (98.5%), votes cast against the resolution were 28,186 (0.5%) and 57,019 (1.0%) were placed at the discretion of the Chairman of the meeting or other proxy to vote. A total of 31,996 votes were withheld. The percentage of votes in favour, against and discretionary excludes the number of votes withheld.

Approval of the Annual Report on Remuneration

The Annual Report on Remuneration was approved by the Board on 17 September 2020.

On behalf of the Board

Philip Remnant CBE
Chairman
17 September 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return or loss of the Company for that 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

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

Directors' Responsibility Statement

Each of the Directors, who are listed on pages 32 and 33, confirms that, to the best of his or her knowledge:

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

On behalf of the Board

Philip Remnant CBE
Chairman
17 September 2020

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

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

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

Financial Statements

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 30 June 2020, the Income Statement, the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

We have provided no non-audit services to the Company in the period from 1 July 2019 to 30 June 2020.

Our audit approach

Overview

Materiality	• Overall materiality: £14.3 million (2019: £15.96 million), based on 1% of net assets.
Audit scope	• The Company is a standalone Investment Trust Company and engages Henderson Investment Funds Limited (the "Manager") to manage its assets. • We conducted our audit of the financial statements using information from BNP Paribas Securities Services (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions. • We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates. • We obtained an understanding of the internal controls in place at both the Manager and the Administrator, identified and tested those controls on which we wished to place reliance and then performed substantive testing using reports obtained from the Administrator.
Materiality	• Valuation and existence of investments • Income from investments • Consideration of the impact of Covid-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

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

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Company's ongoing qualification as an Investment Trust under the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase income or to overstate the value of investments and increase the net asset value of the Company. Audit procedures performed by the engagement team to mitigate these principal risks included:

- Discussions with the Directors, the Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of the controls implemented by the Manager and the Administrator designed to prevent and detect irregularities
- Assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- Identifying and testing journal entries, in particular any journals posted as part of the financial year end close process.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments Refer to page 44 (Audit Committee Report), page 64 (Accounting Policies) and page 67 (Notes to the Financial Statements). The investment portfolio at the year-end comprised listed equity investments valued at £1,571 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the Financial Statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third-party sources. No material misstatements were identified. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No misstatements were identified which required reporting to those charged with governance.

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

Income from investments

Refer to page 44 (Audit Committee Report), page 65 (Accounting Policies) and page 67 (Notes to the Financial Statements).

We focused on the accuracy, completeness and occurrence of investment income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.

We also focused on the accounting policy for investment income recognition and the presentation of investment income in the Income Statement for compliance with the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP"), as incorrect application could indicate a misstatement in income recognition.

We assessed the accounting policy for investment income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income from investments had been accounted for in accordance with this stated accounting policy.

We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income from investments has been accounted for in accordance with the stated accounting policy.

We tested accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data.

To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market for investment holdings had been recorded.

We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions.

Our procedures did not identify any misstatements.

Consideration of the impact of Covid-19

Refer to the Chairman's Statement (page 7), Principal Risks and Uncertainties (page 25), Viability Statement (page 26), and the Going Concern Statement (page 64), which disclose the impact of the Covid-19 coronavirus pandemic.

From a small number of cases of an unknown virus in 2019, the Covid-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the first quarter of 2020 and to date.

The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company had adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third-party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic.

We evaluated the Directors' assessment of the impact of the Covid-19 pandemic on the Company by:

- Evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by Covid-19.
- Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report.
- We obtained evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity and loan covenant compliance as well as their review of the operational resilience of the Company and oversight of key third-party service providers.

We assessed the disclosures presented in the Annual Report in relation to Covid-19 by:

- Reading the other information, including Principal Risks and Uncertainties, Viability Statement set out in the Strategic Report and the Going Concern Statement, and assessing its consistency with the financial statements and the evidence we obtained in our audit.

Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report.

Our conclusions relating to going concern are set out in the 'Conclusions relating to going concern' section below.

How we tailored the audit scope

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

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

Materiality

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

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

Overall materiality	£14.3 million (2019: £15.96 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £716,000 (2019: £798,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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

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

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

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

- The Directors' confirmation on page 25 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 26 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other Code Provisions

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

- The statement given by the Directors, on page 53, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 44 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 53, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members in 2009 to audit the financial statements for the year ended 30 June 2009 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 30 June 2009 to 30 June 2020.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
17 September 2020

Income Statement

Notes		Year ended 30 June 2020 Revenue return £'000	Year ended 30 June 2020 Capital return £'000	Year ended 30 June 2020 Total return £'000	Year ended 30 June 2019 Revenue return £'000	Year ended 30 June 2019 Capital return £'000	Year ended 30 June 2019 Total return £'000
2	Losses on investments held at fair value through profit or loss	–	(291,388)	(291,388)	–	(21,023)	(21,023)
3	Income from investments held at fair value through profit or loss	67,779	–	67,779	77,438	–	77,438
4	Other interest receivable and similar income	176	–	176	288	–	288
	Gross revenue and capital losses	**67,955**	**(291,388)**	**(223,433)**	**77,726**	**(21,023)**	**56,703**
5	Management fee	(1,457)	(3,400)	(4,857)	(1,519)	(3,545)	(5,064)
6	Other administrative expenses	(696)	(7)	(703)	(726)	–	(726)
	Net return before finance costs and taxation	**65,802**	**(294,795)**	**(228,993)**	**75,481**	**(24,568)**	**50,913**
7	Finance costs	(2,163)	(4,681)	(6,844)	(2,277)	(4,946)	(7,223)
	Net return before taxation	**63,639**	**(299,476)**	**(235,837)**	**73,204**	**(29,514)**	**43,690**
8	Taxation	(1,176)	–	(1,176)	(1,181)	–	(1,181)
	Net return after taxation	**62,463**	**(299,476)**	**(237,013)**	**72,023**	**(29,514)**	**42,509**
9	**Return per ordinary share basic and diluted**	**15.73p**	**(75.42p)**	**(59.69p)**	**19.76p**	**(8.10p)**	**11.66p**

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

The notes on pages 64 to 79 form part of these financial statements

Statement of Changes in Equity

Notes	Year ended 30 June 2020	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 July 2019	94,709	613,711	2,707	826,337	58,259	1,595,723
	Net return after taxation	–	–	–	(299,476)	62,463	(237,013)
17, 18	Issue of 37,570,000 new ordinary shares	9,392	139,256	–	–	–	148,648
10	Dividends paid	–	–	–	–	(75,099)	(75,099)
	At 30 June 2020	**104,101**	**752,967**	**2,707**	**526,861**	**45,623**	**1,432,259**

Notes	Year ended 30 June 2019	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 July 2018	88,603	520,701	2,707	855,851	53,135	1,520,997
	Net return after taxation	–	–	–	(29,514)	72,023	42,509
17, 18	Issue of 24,425,000 new ordinary shares	6,106	93,010	–	–	–	99,116
10	Dividends paid	–	–	–	–	(66,899)	(66,899)
	At 30 June 2019	**94,709**	**613,711**	**2,707**	**826,337**	**58,259**	**1,595,723**

The notes on pages 64 to 79 form part of these financial statements

Statement of Financial Position

Notes		30 June 2020 £'000	30 June 2019 £'000
	Fixed assets		
11	**Investments held at fair value through profit or loss**		
	Listed at market value in the United Kingdom	1,359,435	1,556,025
	Listed at market value overseas	211,589	165,525
12	Investment in subsidiary undertakings	347	347
		1,571,371	**1,721,897**
	Current assets		
13	Debtors	5,962	14,932
		5,962	14,932
14	Creditors: amounts falling due within one year	(59,327)	(25,350)
	Net current liabilities	**(53,365)**	**(10,418)**
	Total assets less current liabilities	**1,518,006**	**1,711,479**
15	Creditors: amounts falling due after more than one year	(85,747)	(115,756)
	Net assets	**1,432,259**	**1,595,723**
	Capital and reserves		
17	Called up share capital	104,101	94,709
18	Share premium account	752,967	613,711
19	Capital redemption reserve	2,707	2,707
19	Other capital reserves	526,861	826,337
20	Revenue reserve	45,623	58,259
21	**Total shareholders' funds**	**1,432,259**	**1,595,723**
21	**Net asset value per ordinary share – basic and diluted**	**343.96p**	**421.22p**

These financial statements on pages 61 to 79 were approved by the Board of Directors on 17 September 2020 and signed on its behalf by:

Philip Remnant CBE
Chairman

Registration number: 34871

The notes on pages 64 to 79 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) Basis of accounting

The Company is a registered investment company as defined in Section 833 of the Companies Act 2006 and is incorporated in the UK. It operates in the UK and is registered at the address on page 89.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in October 2019.

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

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

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

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

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

The decision to allocate special dividends as income or capital is a judgement but not deemed to be material. The allocation of expenses to income or capital is a judgement as well, but also is not deemed to be material. The Directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

(b) Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The Directors have also considered the impact of Covid-19, including cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. They have concluded that the Company is able to meet its financial obligations, including the repayment of the bank overdraft, as they fall due for a period of at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

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

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

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(d) Foreign currency

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

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

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

(e) Income

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

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

Where the Company enters into a commitment to underwrite an issue of securities in exchange for the receipt of commission, this creates a derivative financial instrument. Any such derivatives are recognised initially at fair value and are subsequently re-measured at fair value, with the related gains and losses being reflected in the Income Statement. Net losses arising from derivatives, where the actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital return. Net gains are allocated to the revenue return.

Fees earned from stock lending are accounted for on an accruals basis and shown in the revenue return based on amounts to which the Company is entitled. This is after deduction of amounts withheld by the counterparty arranging the stock lending facility. The stock lending accounting policy is set out in note 16.3.

The accounting for option premium income is dealt with on page 66, under ‘Derivative financial instruments’.

(f) Management and administrative expenses and finance costs

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

(g) Taxation

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

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

The tax effect of different items of expenditure is allocated between the capital return and revenue return using the Company’s effective rate of tax for the year. In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the “marginal basis”. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(h) Borrowings

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

(i) Preference stocks

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

(j) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid, or in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Statement of Changes in Equity.

(k) Issue and repurchase of ordinary shares and associated costs

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

(l) Capital and reserves

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

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

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

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

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

Capital reserve arising on investments sold

The following are accounted for in this reserve:

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

Capital reserve arising on revaluation of investments held

The following are accounted for in this reserve:

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

(m) Distributable reserves

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

(n) Derivative financial instruments

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

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

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

Where options are written for the purpose of generating revenue, applicable premiums are recognised evenly over the life of the option and shown in the revenue return, with the appropriate amount shown as capital return, such that the total return reflects the overall change in the fair value of the option. No options were transacted during the year nor held at 30 June 2020 (2019: none).

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

	2020 £'000	2019 £'000
(Losses)/gains on the sale of investments based on historical cost	(64,904)	11,157
Revaluation gains recognised in previous years	(14,866)	(20,759)
Losses on investments sold in the year based on carrying value at the previous Statement of Financial Position date	(79,770)	(9,602)
Revaluation of investments held at 30 June	(211,714)	(11,416)
Exchange gains/(losses)	96	(5)
Total losses on investments held at fair value through profit or loss	**(291,388)**	**(21,023)**

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

	2020 £'000	2019 £'000
UK dividends:		
Listed – ordinary dividends	54,320	59,566
Listed – special dividends	1,505	3,702
	55,825	63,268
Other dividends:		
Dividend income – overseas investments	10,360	11,575
Dividend income – UK REIT	1,594	2,595
	11,954	14,170
	67,779	**77,438**

4 Other interest receivable and similar income

	2020 £'000	2019 £'000
Underwriting commission (allocated to revenue)[1]	4	14
Stock lending revenue	172	274
	176	**288**

[1] During the year the Company was not required to take up shares in respect of its underwriting commitments (2019: none)

At 30 June 2020, the total value of securities on loan by the Company for stock lending purposes was £135,773,000 (2019: £192,872,000). The maximum aggregate value of securities on loan at any one time during the year ended 30 June 2020 was £296,705,000 (2019: £279,272,000). The Company's agent holds collateral at 30 June 2020 with a value of £142,771,000 (2019: £208,546,000) in respect of securities on loan, the value of which is reviewed on a daily basis and comprises CREST Delivery By Value ("DBVs") and Government Bonds with a market value of 105% (2019: 108%) of the market value of any securities on loan.

Notes to the Financial Statements (continued)

5 Management fee

	2020			2019		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Management fee	**1,457**	**3,400**	**4,857**	1,519	3,545	5,064

A summary of the terms of the Management Agreement is given on page 27. Details of apportionment between revenue and capital can be found in note 1 on page 65.

6 Other administrative expenses

	2020 £'000	2019 £'000
Directors' fees and expenses (see Directors' Remuneration Report on page 51)	187	168
Auditors' remuneration – for statutory audit services	38	31
Marketing	81	91
Bank charges (loan facility fees)	10	10
Annual and Half Year reports	38	47
Registrar's fees	81	82
AIC	22	22
Listing fees	108	100
Advisory and consultancy fees	18	62
Depositary fees	57	57
Other expenses	56	56
Expenses charged to income	**696**	**726**
Expenses charged to capital[1]	7	–
	703	**726**

1 The capital expenses incurred relate to the redemption of the 10.25% debenture stock 2020

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

7 Finance costs

	2020			2019		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Interest on debentures and secured notes repayable wholly or partly:						
– within one year	1,021	2,383	3,404	307	718	1,025
– between one and five years	–	–	–	765	1,785	2,550
– after five years (includes amortisation of secured notes issue costs)	914	2,132	3,046	930	2,169	3,099
Bank overdraft interest	71	166	237	118	274	392
Dividends per share:						
– cumulative first preference stock	18	–	18	18	–	18
– non-cumulative second preference stock	21	–	21	21	–	21
– non-cumulative preferred ordinary stock	118	–	118	118	–	118
	2,163	**4,681**	**6,844**	**2,277**	**4,946**	**7,223**

Details of apportionment between revenue return and capital return can be found in note 1 on page 65.

Notes to the Financial Statements (continued)

8 Taxation

Analysis of tax charge for the year

	2020			2019		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Overseas withholding tax	1,693	–	1,693	1,631	–	1,631
Less: overseas withholding tax recoverable	(517)	–	(517)	(450)	–	(450)
	1,176	**–**	**1,176**	**1,181**	**–**	**1,181**

The Company's profit for the accounting year is taxed at a rate of 19% (2019: 19%). The tax charge for the year is different to the corporation tax rate. The differences are explained below:

Factors affecting the tax charge for the year

	2020			2019		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Return before taxation	63,639	(299,476)	(235,837)	73,204	(29,514)	43,690
Corporation tax at 19% (2019: 19%)	12,091	(56,900)	(44,809)	13,909	(5,608)	8,301
Effects of:						
Non-taxable UK dividends	(10,607)	–	(10,607)	(11,886)	–	(11,886)
Non-taxable overseas dividends	(1,968)	–	(1,968)	(2,335)	–	(2,335)
Overseas tax suffered	1,176	–	1,176	1,181	–	1,181
Income taxable in different years	–	–	–	33	–	33
Expenses not deductible for tax purposes	1	1	2	1	–	1
Excess management expenses	453	1,535	1,988	248	1,614	1,862
Preference and preferred ordinary dividends not allowable for tax	30	–	30	30	–	30
Net capital losses not subject to tax	–	55,364	55,364	–	3,994	3,994
	1,176	**–**	**1,176**	**1,181**	**–**	**1,181**

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

Deferred taxation

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

Factors that may affect future tax charges

The Company has not recognised a deferred tax asset totalling £26,792,000 (2019: £23,155,000) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

Notes to the Financial Statements (continued)

9 Return per ordinary share – basic and diluted

The return per ordinary share is based on the net return attributable to the ordinary shares of £237,013,000 (2019: £42,509,000) and on 397,078,092 ordinary shares (2019: 364,414,801), being the weighted average number of ordinary shares in issue during the year.

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

	2020 £'000	2019 £'000
Net revenue return	62,463	72,023
Net capital return	(299,476)	(29,514)
Net total return	**(237,013)**	**42,509**
Weighted average number of ordinary shares in issue during the year	**397,078,092**	**364,414,801**

	2020 Pence	2019 Pence
Revenue return per ordinary share	15.73	19.76
Capital return per ordinary share	(75.42)	(8.10)
Total return per ordinary share	**(59.69)**	**11.66**

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

10 Dividends paid on ordinary shares

	Record date	Payment date	2020 £'000	2019 £'000
Fourth interim dividend (4.55p) for the year ended 30 June 2018	27 July 2018	31 August 2018	–	16,174
First interim dividend (4.55p) for the year ended 30 June 2019	19 October 2018	30 November 2018	–	16,319
Second interim dividend (4.55p) for the year ended 30 June 2019	25 January 2019	28 February 2019	–	16,633
Third interim dividend (4.75p) for the year ended 30 June 2019	26 April 2019	31 May 2019	–	17,773
Fourth interim dividend (4.75p) for the year ended 30 June 2019	26 July 2019	30 August 2019	18,013	–
First interim dividend (4.75p) for the year ended 30 June 2020	25 October 2019	29 November 2019	18,341	–
Second interim dividend (4.75p) for the year ended 30 June 2020	24 January 2020	28 February 2020	19,041	–
Third interim dividend (4.75p) for the year ended 30 June 2020	24 April 2020	29 May 2020	19,704	–
			75,099	**66,899**

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

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

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

	2020 £'000	2019 £'000
Revenue available for distribution by way of dividend for the year	62,463	72,023
First interim dividend of 4.75p (2019: 4.55p)	(18,341)	(16,319)
Second interim dividend of 4.75p (2019: 4.55p)	(19,041)	(16,633)
Third interim dividend of 4.75p (2019: 4.75p)	(19,704)	(17,773)
Fourth interim dividend of 4.75p (2019: 4.75p) paid on 28 August 2020[1]	(19,779)	(18,012)
Undistributed revenue for Section 1158 purposes[2]	**(14,402)**	**3,286**

1 Based on 416,404,868 ordinary shares in issue at 30 July 2020 (the ex-dividend date) (2019: 379,209,868)
2 The deficit of (£14,402,000) (2019: surplus of £3,286,000) has been taken (from)/to the revenue reserve

Since the year-end, the Board has announced a first interim dividend of 4.75p per ordinary share, in respect of the year ending 30 June 2021. This will be paid on 30 November 2020 to holders registered at the close of business on 30 October 2020. This dividend is to be paid from the Company's revenue account. The Company's shares will go ex-dividend on 29 October 2020.

Notes to the Financial Statements (continued)

11 Investments held at fair value through profit or loss

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
2020:			
Valuation at 1 July 2019	347	1,721,550	1,721,897
Investment holding gains at 1 July 2019	–	(481,604)	(481,604)
Cost at 1 July 2019	**347**	**1,239,946**	**1,240,293**
Additions at cost	–	339,782	339,782
Disposals at cost	–	(263,728)	(263,728)
Cost at 30 June 2020	**347**	**1,316,000**	**1,316,347**
Investment holding gains at 30 June 2020	–	255,024	255,024
Valuation at 30 June 2020	**347**	**1,571,024**	**1,571,371**

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
2019:			
Valuation at 1 July 2018	347	1,637,907	1,638,254
Investment holding gains at 1 July 2018	–	(513,778)	(513,778)
Cost at 1 July 2018	**347**	**1,124,129**	**1,124,476**
Additions at cost	–	229,421	229,421
Disposals at cost	–	(113,604)	(113,604)
Cost at 30 June 2019	**347**	**1,239,946**	**1,240,293**
Investment holding gains at 30 June 2019	–	481,604	481,604
Valuation at 30 June 2019	**347**	**1,721,550**	**1,721,897**

The portfolio valuation at 30 June 2020 of £1,571,024,000 (2019: £1,721,550,000) is shown on the Statement of Financial Position as investments held at fair value through profit or loss.

Purchase transaction costs for the year ended 30 June 2020 were £1,627,000 (2019: £1,046,000). These comprise mainly of stamp duty and commission. Sale transaction costs for the year ended 30 June 2020 were £72,000 (2019: £53,000).

The Company received £198,824,000 (2019: £124,761,000) from investments sold in the year. The book cost of these investments when they were purchased was £263,728,000 (2019: £113,604,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

12 Subsidiaries and related undertakings

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

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

- The City of London European Trust Limited was incorporated in 1899 as Patrick & McGregor Limited and is dormant, not having traded since 1968. Its registered office is 201 Bishopsgate, London, EC2M 3AE. The aggregate amount of the capital and reserves of The City of London European Trust Limited at 30 June 2020 was £347,000 (2019: £347,000). This company has 10,000 issued ordinary shares of £1 each.
- City of London Investments Limited is a dormant company and has not traded since its incorporation in 1982. Its registered office is 201 Bishopsgate, London, EC2M 3AE. The aggregate amount of the capital and reserves of City of London Investments Limited at 30 June 2020 was £2 (2019: £2). This company has two issued ordinary shares of £1 each.
- The City of London Finance Company Limited is a share dealing company and was dormant throughout the year. Its registered office is 201 Bishopsgate, London, EC2M 3AE. The aggregate amount of capital and reserves of The City of London Finance Company Limited at 30 June 2020 was £2 (2019: £2). This company has two issued ordinary shares of £1 each.

Notes to the Financial Statements (continued)

13 Debtors

	2020 £'000	2019 £'000
Share issue proceeds receivable	–	2,332
Withholding and income tax recoverable	1,896	1,485
Sales for future settlement	187	903
Prepayments and accrued income	3,879	10,212
	5,962	**14,932**

14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdraft	22,907	8,208
Amounts owed to subsidiary undertakings	347	347
Purchases for future settlement	1,716	3,159
Dividends payable on preference and preferred ordinary stocks	79	79
10¼% debenture stock 2020	–	10,000
8½% debenture stock 2021	30,000	–
Accruals and deferred income	4,278	3,557
	59,327	**25,350**

The Company has an uncommitted overdraft facility of £120,000,000 at 30 June 2020 (2019: £120,000,000) provided by its Custodian and has provided a floating charge over its assets in return. The overdraft may be withdrawn by the Custodian at any time and is repayable on demand. Interest on the overdraft was payable at a rate of HSBC base rate plus 1.25% at 30 June 2020 (2019: plus 1.25%). Covenants relating inter alia to a maximum level of borrowings apply to the Company's borrowing facility. A breach of these covenants may result in any overdraft drawn down becoming repayable immediately.

The repayment terms of the debenture stocks are as follows:

- £10,000,000 10¼% debenture stock 2020 redeemed at par on 30 April 2020.
- £30,000,000 8½% debenture stock 2021 redeemable at par on 31 January 2021.

15 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
8½% debenture stock 2021	–	30,000
4.53% secured notes 2029	34,690	34,694
2.94% secured notes 2049	49,658	49,663
£301,982 cumulative first preference stock	302	302
£507,202 non-cumulative second preference stock	507	507
£589,672 non-cumulative preferred stock	590	590
	85,747	**115,756**

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

On 17 November 2017, the Company issued £50,000,000 (nominal) 2.94% secured notes due 2049, net of issue costs totalling £360,000. The issue costs will be amortised over the life of the secured notes.

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

- £30,000,000 8½% debenture stock 2021 redeemable at par on 31 January 2021.
- £35,000,000 4.53% secured notes 2029 redeemable at par on 22 January 2029.
- £50,000,000 2.94% secured notes 2049 redeemable at par on 17 November 2049.

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

Notes to the Financial Statements (continued)

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

A summary of the rights that attach to each of the preference and preferred ordinary stocks, all of which are non-redeemable, is given below.

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

Notes:

i) The dividend entitlements of the first preference stock and the preferred ordinary stock reverted on 6 April 1999 to the rates which applied before 6 April 1973

ii) In the event of a winding-up, the preferred ordinary stock would be repaid at £3.50 per £1 of stock. However, its share of equity shareholders' funds is included in the financial statements at par because no winding-up is envisaged

16 Risk management policies and procedures

The Directors manage investment risk principally through setting an investment policy (that is approved by shareholders) which incorporates risk parameters (see pages 21 and 22), by contracting management of the Company's investments to an investment manager (Janus Henderson) under a contract which incorporates appropriate duties and restrictions and by monitoring performance in relation to these. Internal control and the Board's approach to risk is also on pages 25 and 26. There have been no material changes to the management or nature of the Company's investment risks from the prior year.

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

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

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

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1 Market risk

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

16.1.1 Market price risk

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

Management of the risk

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

When appropriate, the Company may buy/sell put or call options or futures on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. At 30 June 2020, the Company had no open positions (2019: nil).

Concentration of exposure to market price risk

An analysis of the Company's investment portfolio is shown on pages 17 and 18. This shows that the majority of the Company's investments are in UK listed companies. Accordingly, there is a concentration of exposure to the UK, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

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

The impact of a 10% increase in the value of the investments on the revenue return as at 30 June 2020 is a decrease of £153,000 (2019: £181,000) and on the capital return is an increase of £156,744,000 (2019: £171,733,000). The total impact on equity shareholders' funds would be an increase of £156,591,000 (2019: £171,552,000).

The impact of a 10% decrease in the value of the investments on the revenue return as at 30 June 2020 is an increase of £153,000 (2019: £181,000) and on the capital return is a decrease of £156,744,000 (2019: £171,733,000). The total impact on equity shareholders' funds would be a decrease of £156,591,000 (2019: £171,552,000).

16.1.2 Currency risk

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

Management of the risk

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

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 30 June 2020 are £2,345,000 (2019: £3,202,000).

Foreign currency sensitivity

The Company's sensitivity to movements in exchange rates affecting its investment income, assuming a 10% movement in the sterling/ US dollar rate, will be a loss of £1,487,000 (2019: £1,751,000) if sterling strengthens and a profit of £1,817,000 (2019: £2,140,000) if sterling weakens. The 10% movement has been based on average market volatility in exchange rates in the previous 12 months.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1.3 Interest rate risk

Interest rate movements may affect:

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

Management of the risk

The Company, generally, does not hold significant cash balances. The Company finances part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts have not been used during the year to hedge against the exposure to interest rate risk. There has been no hedging during the year.

Interest rate exposure

The Company's exposure at 30 June 2020 of financial assets and financial liabilities to fixed interest rate risk can be found in note 15. The exposure to floating interest rates can be found on the Statement of Financial Position under cash at bank and under bank overdraft in note 14.

Interest receivable and finance costs are at the following rates:

- interest received on cash balances is at a margin over the HSBC base rate; and
- interest paid on borrowings under the overdraft facility provided by the Custodian is at a margin of 1.25% above the HSBC base rate (2019: same).

The table below analyses the Company's contractual liabilities

	2020			2019		
	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
Debenture stocks[1]	31,488	–	–	13,404	31,488	–
Secured notes[2]	3,056	12,222	126,494	3,056	12,222	129,550
Preference stock and preferred ordinary stock[3]	157	628	1,399	157	628	1,399
Bank overdrafts and interest	22,907	–	–	8,208	–	–
Other creditors and accruals	6,420	–	–	7,142	–	–
	64,028	**12,850**	**127,893**	**31,967**	**44,338**	**130,949**

1 The above figures show interest payable over the remaining terms of the debenture stock. The figures in the "within 1 year" and in the prior year "between 1 and 5 years" columns also include the capital to be repaid. Details of repayment are set out on page 72 and dividend/interest payment dates on page 88
2 The above figures show interest payable over the remaining term of the secured notes. The figures in the "more than 5 years" column also include the capital to be repaid. Details of repayment are set out on page 72 and interest payment dates on page 88
3 The figures in the "more than 5 years" columns do not include the ongoing annual finance cost of £157,000

Interest rate risk sensitivity

The Company is not materially exposed to changes in interest rates.

16.2 Liquidity risk

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

Management of the risk

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

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

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 30 June 2020, based on the earliest date on which payment can be required, is given on page 72.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.3 Credit and counterparty risk

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

Management of the risk

The risk is not significant and is managed as follows:

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

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

In summary, the Company only transacts with counterparties that it considers to be credit worthy. The exposure to credit and counterparty risk at 30 June 2020 was to other debtors of £5,962,000 (2019: £14,932,000).

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

16.4 Fair values of financial assets and financial liabilities

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

At 30 June 2020, the fair value of the debenture stock was £31,191,000 (2019: £43,510,000) and the aggregate fair value of the preferred and preference stock was £2,634,000 (2019: £2,557,000).

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

At 30 June 2020, the fair value of the secured notes was estimated to be £103,950,000 (2019: £98,237,000).

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

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

16.5 Fair value hierarchy disclosures

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

Financial assets at fair value through profit or loss at 30 June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,571,024	–	347	1,571,371
Total	**1,571,024**	**–**	**347**	**1,571,371**

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

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

Level 1 – the unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date;

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

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

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.5 Fair value hierarchy disclosures (continued)

The valuation techniques used by the Company are explained in the accounting policies note on page 64.

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

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

16.6 Capital management policies and procedures

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

The Company's total capital at 30 June 2020 was £1,570,913,000 (2019: £1,729,687,000) comprising £22,907,000 (2019: £8,208,000) of bank overdrafts, £30,000,000 (2019: £40,000,000) of debenture stock, £84,348,000 (2019: £84,357,000) of secured notes, £1,399,000 (2019: £1,399,000) of preference and preferred stock and £1,432,259,000 (2019: £1,595,723,000) of equity share capital and reserves.

The Company is subject to several externally imposed capital requirements:

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

The Company has complied with these requirements.

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

17 Called up share capital

	Shares in issue	Nominal value of total shares in issue £'000
Allotted and issued ordinary shares of 25p each:		
At 1 July 2019	378,834,868	94,709
Issue of new ordinary shares	37,570,000	9,392
At 30 June 2020	**416,404,868**	**104,101**
Allotted and issued ordinary shares of 25p each:		
At 1 July 2018	354,409,868	88,603
Issue of new ordinary shares	24,425,000	6,106
At 30 June 2019	**378,834,868**	**94,709**

During the year, the Company issued 37,570,000 (2019: 24,425,000) ordinary shares with total proceeds of £148,648,000 (2019: £99,116,000) after deduction of issue costs of £575,000 (2019: £151,000). The average price of the ordinary shares that were issued was 395.7p (2019: 405.8p).

Notes to the Financial Statements (continued)

18 Share premium account

	2020 £'000	2019 £'000
At beginning of year	613,711	520,701
Issue of shares	139,831	93,161
Less : issue costs	(575)	(151)
At end of year	**752,967**	**613,711**

19 Other capital reserves

	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2019	2,707	481,602	344,735	826,337
Transfer on disposal of investments	–	(14,866)	14,866	–
Net losses on investments	–	(211,714)	(79,770)	(291,484)
Exchange gains	–	–	96	96
Management fees charged to capital	–	–	(3,400)	(3,400)
Finance costs charged to capital	–	–	(4,681)	(4,681)
Other administrative expenses	–	–	(7)	(7)
At 30 June 2020	**2,707**	**255,022**	**271,839**	**526,861**

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

20 Revenue reserve

	£'000
At 1 July 2019	58,259
Net return for the year	62,463
Dividends paid (note 10)	(75,099)
At 30 June 2020	**45,623**

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

Notes to the Financial Statements (continued)

21 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £1,432,259,000 (2019: £1,595,723,000) and on 416,404,868 (2019: 378,834,868) shares in issue on 30 June 2020.

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, the debenture stock and secured notes at their market (or fair) values rather than at their par (or book) values. The net asset value per ordinary share at 30 June 2020 calculated on this basis was 338.67p (2019: 416.32p).

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 2019	1,595,723
Total net return after taxation	(237,013)
Dividends paid on ordinary shares in the year	(75,099)
Issue of shares	148,648
Total net assets attributable to the ordinary shares at 30 June 2020	**1,432,259**

The Company does not have any dilutive securities.

22 Capital commitments and contingent liabilities

Capital commitments

There were no capital commitments as at 30 June 2020 (2019: none).

Contingent liabilities

As at 30 June 2020, there were no contingent liabilities in respect of the sub-underwriting participation (2019: Marks and Spencer £256,000).

23 Transactions with the Manager and related parties

Under the terms of an agreement effective from 22 July 2014, the Company has appointed subsidiaries of Janus Henderson Group plc to provide investment management, accounting, secretarial and administrative services. Janus Henderson has contracted BNP Paribas Securities Services to provide accounting and administration services.

Details of the fee arrangements for these services are given on page 27. The total of management fees paid or payable to Janus Henderson under this agreement in respect of the year ended 30 June 2020 was £4,857,000 (2019: £5,064,000). The amount outstanding at 30 June 2020 was £2,150,000 (2019: £1,266,000).

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. The total fees paid or payable for these services for the year ended 30 June 2020 amounted to £72,000 including VAT (2019: £72,000) of which £55,000 was outstanding at 30 June 2020 (2019: £71,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 51 and in note 6 on page 68.

Additional Information

Securities Financing Transactions

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015-2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the year ended 30 June 2020 are detailed below.

Global Data

The amount of securities on loan as a proportion of total lendable assets and the Company's net assets as at 30 June 2020 are disclosed below:

	Stock lending	
Market value of securities on loan £'000	% of lendable assets	% of assets under management
135,773	8.64	9.48

Concentration Data

The ten largest collateral issuers across all the securities financing transactions at 30 June 2020 are disclosed below:

Issuer	**Market value of collateral received £'000**
UK Treasury	93,192
Government of Japan	31,846
Subsea 7	1,012
Smurfit Kappa	1,012
Caterpillar	1,012
Sony	983
NTT Docomo	957
Infineon	883
International Consolidated Airlines	850
Government of Germany	832
	132,579

The top ten counterparties of each type of securities financing transactions at 30 June 2020 are disclosed below:

Counterparty	**Market value of securities on loan £'000**
HSBC	87,538
Barclays	20,984
Skandinaviska Enskilda	9,549
Credit Suisse	6,586
Merrill Lynch	5,196
Citigroup	2,899
Macquarie	1,372
Bank of Nova Scotia	1,002
Goldman Sachs	646
Société Générale	1
	135,773

Securities Financing Transactions (continued)

Aggregate Transaction Data

The following table discloses a summary of aggregate transaction data related to the collateral received from securities on loan at 30 June 2020:

Stock lending

Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
HSBC	Hong Kong	UK Gilts	Investment Grade	GBP	Bilateral	HSBC	91,915
Barclays	London	Government Debt	Investment Grade	EUR	Tri-party	HSBC	25
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	21,657
		Government Debt	Investment Grade	USD	Tri-party	HSBC	353
Scandinaviska Enskilda	Sweden	Equity	Main Market Listing	EUR	Tri-party	HSBC	883
		Equity	Main Market Listing	GBP	Tri-party	HSBC	2,097
		Equity	Main Market Listing	JPY	Tri-party	HSBC	1,941
		Equity	Main Market Listing	NOK	Tri-party	HSBC	1,012
		Equity	Main Market Listing	USD	Tri-party	HSBC	4,161
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	28
Credit Suisse	Switzerland	Equity	Main Market Listing	EUR	Tri-party	HSBC	3,092
		Equity	Main Market Listing	GBP	Tri-party	HSBC	66
		Equity	Main Market Listing	HKD	Tri-party	HSBC	431
		Equity	Main Market Listing	JPY	Tri-party	HSBC	19
		Equity	Main Market Listing	USD	Tri-party	HSBC	911
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	518
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	1,276
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	380
		Government Debt	Investment Grade	USD	Tri-party	HSBC	265
Merrill Lynch	US	Government Debt	Investment Grade	JPY	Tri-party	HSBC	5,456
Citigroup	US	Government Debt	Investment Grade	JPY	Tri-party	HSBC	3,032
		Government Debt	Investment Grade	USD	Tri-party	HSBC	12
Macquarie	Australia	Equity	Main Market Listing	HKD	Tri-party	HSBC	65
		Equity	Main Market Listing	JPY	Tri-party	HSBC	47
		Equity	Main Market Listing	USD	Tri-party	HSBC	261
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	1,073
Bank of Nova Scotia	Canada	Equity	Main Market Listing	CAD	Tri-party	HSBC	117
		Equity	Main Market Listing	EUR	Tri-party	HSBC	19
		Equity	Main Market Listing	GBP	Tri-party	HSBC	469
		Equity	Main Market Listing	JPY	Tri-party	HSBC	7
		Equity	Main Market Listing	USD	Tri-party	HSBC	201
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	247
Goldman Sachs	US	Government Debt	Investment Grade	EUR	Bilateral	HSBC	734
Société Générale	France	Government Debt	Investment Grade	JPY	Tri-party	HSBC	1
							142,771

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

Re-use of collateral

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

Return and cost

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

Total gross amount of securities lending income	Direct and indirect costs and fees deducted by securities lending agent	% return of the securities lending agent	Net securities lending income retained by the Company	% return of the Company
£215,000	£43,000	20	£172,000	80

Alternative Performance Measures (unaudited)

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

Discount or Premium

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

	NAV with debt at fair value pence	NAV with debt at par value pence	Share price pence	(Discount)/ premium to fair value NAV %	(Discount)/ premium to par value NAV %
At 30 June 2020	338.67	343.96	340.00	0.4	(1.2)
At 30 June 2019	416.32	421.22	425.50	2.2	1.0

Gearing/(Net cash)

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans, overdrafts, debentures or secured notes) the Company has used to invest in the market, and is calculated by taking the difference between total investments (see note 11 on page 71) and total shareholders' funds (see Statement of Financial Position), dividing this by total shareholders' funds and multiplying by 100 as indicated below:

		2020	2019
Investments held at fair value through profit or loss (page 55) (£'000)	(A)	1,571,024	1,721,550
Net assets (page 63) (£'000)	(B)	1,432,259	1,595,723
Gearing (C = A / B – 1) (%)	(C)	9.7	7.9

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

Net Asset Value ("NAV") per Ordinary Share

The value of the Company's assets (i.e. investments (see note 11)) and cash held (see Statement of Financial Position) less any liabilities (i.e. bank borrowings and debt securities (see notes 14 and 15)) for which the Company is responsible divided by the number of shares in issue (see note 17). The aggregate NAV is also referred to as total shareholders' funds in the Statement of Financial Position. The NAV per share is published daily and the year end NAV can be found on page 63 and further information is available on page 79 in note 21 within the notes to the financial statements.

Net Asset Value with Debt at Fair Value

The Company's debt (bank borrowings, debenture stock, secured notes, preference and preferred stocks, further details can be found in notes 14 and 15 on pages 72 and 73) is valued in the Statement of Financial Position (page 63) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par'. The current fair value of the debt, which assumes it is repaid under current market conditions, is referred to as 'Debt at Fair Value'. This fair value is detailed in note 16.4 on page 76. The difference between the fair and par values of the debt is subtracted from or added to the Statement of Financial Position to derive the NAV with debt at fair value (see note 21 on page 79). The NAV with debt at fair value at 30 June 2020 was £1,410,231,000 (338.67p per ordinary share) and the NAV with debt at par was £1,432,259,000 (343.96p per ordinary share).

Alternative Performance Measures (unaudited) (continued)

Ongoing Charge

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

	2020 £'000	2019 £'000
Management fee (note 5)	4,857	5,064
Other administrative expenses (note 6)	696	726
Less: non-recurring expenses	(13)	(56)
Ongoing charge	**5,540**	**5,734**
Average net assets[1]	**1,528,506**	**1,470,567**
Ongoing charge ratio	**0.36%**	**0.39%**

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

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

Revenue Earnings per Share

The revenue earnings per share is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see note 9 on page 70).

Revenue Reserve per Share

The revenue reserve per share is the revenue reserve (see Statement of Financial Position) at the year end divided by the number of shares in issue (see note 17 on page 77) at the year end date.

Total Return

The total return is the return on the share price or NAV with debt at fair value taking into account both the rise and fall of NAVs/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV with debt at fair value total return). Dividends paid and payable are set out in note 10 on page 70.

	NAV per share with debt at fair value	Share price
NAV/Share price per share at 30 June 2019 (pence)	416.32	425.50
NAV/Share price per share at 30 June 2020 (pence)	338.67	340.00
Change in the year (%)	(18.7)	(20.1)
Impact of dividends reinvested (%)	5.0	4.8
Total return for the year (%)	**(14.6)**	**(16.2)**

Yield

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

		30 June 2020	30 June 2019
Annual dividend (pence)	(A)	19.0	18.6
Share price (pence)	(B)	340.0	425.5
Yield (C=A/B) (%)	(C)	5.6	4.4

Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

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

Alternative Performance Measures

A glossary of alternative performance measures can be found on pages 83 and 84.

Association of Investment Companies ("AIC")

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

Benchmark

A measure against which performance is compared. For the Company this is the FTSE All-Share Index.

Custodian

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

Depositary

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

Derivative

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

Dividend Dates

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

Investment Trusts

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

Liquidity

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

Market Capitalisation

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

General Shareholder Information

AIFMD Disclosures

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

BACS

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

Common Reporting Standard

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

Equality Act 2010

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

You can contact the Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

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

Foreign Account Tax Compliance ("FATCA")

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

General Data Protection Regulation ("GDPR")

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

ISA

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

Non-Mainstream Pooled Investments Status

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

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

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

General Shareholder Information (continued)

Performance Details/Share Price Information

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

Shareholder Details

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

Share Price Listings

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

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

Dates of Dividend and Interest Payments

Dividends[1]

Ordinary shares:

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

Preference and preferred ordinary stocks:

- payable on 28 February and 31 August

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

Debenture Interest

8½% debenture stock 2021:

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

Secured Notes Interest

4.53% secured notes 2029:

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

2.94% secured notes 2049:

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

Financial Calendar

Annual results: September

Annual General Meeting: October

Half year results: February

Warning to Shareholders

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

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

If you are in any doubt about the veracity of an unsolicited phone call, please contact the Corporate Secretary on the telephone number detailed on page 89.

Corporate Information

Registered Office

201 Bishopsgate
London EC2M 3AE

Service Providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818
Email: support@janushenderson.com

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

UK

Stockbrokers

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

Registrar

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

New Zealand

Stockbrokers

Craigs Investment Partners
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Registrar

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Independent Auditors

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Edinburgh EH3 8EX

Information Sources

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

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Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website.

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

Nominee Share Code

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

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

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Janus Henderson
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