CITY OF LONDON
INVESTMENT GROUP PLC

ANNUAL REPORT & ACCOUNTS 2018/2019

CITY OF LONDON
INVESTMENT GROUP PLC

City of London Investment Group PLC is an established asset management group which has built its reputation by specialising in Emerging Market closed-end fund investment, with an institutional client focus.

Over the years the Group has expanded its range to include Developed, Frontier and Opportunistic Value closed-end fund strategies. Its most recent addition, a Real Estate Investment Trust (REIT) strategy, which shares many similarities to the closed-end fund products, launched in January 2019.

www.citlon.co.uk

SUMMARY

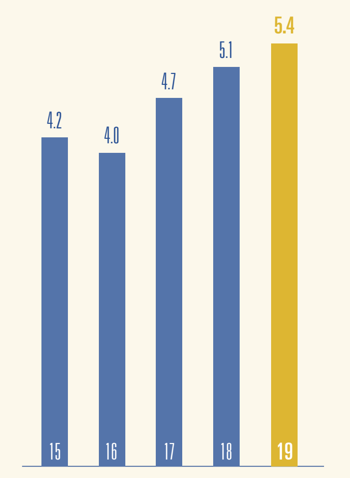
- Funds under management (FuM) at 30th June 2019 were US$5.4 billion (2018: US$5.1 billion), an increase of 6%. In sterling terms, FuM increased by 10% to £4.3 billion (2018: £3.9 billion).

- Revenues, representing the Group's management charges on FuM, were £31.9 million (2018: £33.9 million). Profit before tax was £11.4 million (2018: £12.8 million).

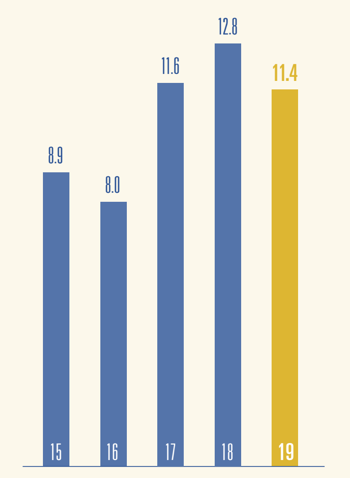
- Basic earnings per share were 34.9p (2018: 39.5p) after a tax charge of 21% (2018: 21%) of pre-tax profits.

- A final dividend of 18p per share is recommended, payable on 29th October 2019 to shareholders on the register on 11th October 2019, making a total for the year of 40.5p (2018: 27p), including the special dividend of 13.5p paid on 22nd March 2019.

Funds under management US$bn



Pre-tax profit £m



CONTENTS

CHAIRMAN'S STATEMENT

"While volatility appears likely to remain the order of play in the coming months, your Board remains firmly of the view that the CLIG business model will continue to reward all stakeholders."

To coin a phrase more commonly used in the sporting world, the year to June 2019 was very much a "game of two halves".

Deepening US/China trade friction in the fourth quarter of 2018 severely impacted equity markets with the S&P 500 plummeting by 20% in the 13 week period to Christmas Eve, while the MSCI Emerging Market Index (MXEF) fell by a more modest 10% over the same period. As trade-related superpower brinkmanship subsided somewhat in the early part of 2019, markets regained their composure with both emerging and developed markets re-tracing back towards their high points for the year, with the MXEF recording a gain of 1.2% for the year as a whole. Notwithstanding the more benign market conditions of recent months, it is clear that equity markets remain highly susceptible to geopolitical influences, be it growing protectionism or ongoing tensions in the Middle East, for example. Suffice it to say that we remain cautiously optimistic that our commitment to deliver above average performance, via the defensive benefits of closed-end fund (CEF) instruments, to a loyal client base is unwavering and will, we believe, continue to serve their interests over the longer term.

Diversification

Shareholders will be aware that for some years past, we have devoted considerable efforts to diversify our asset base within the CEF universe, with product offerings in the Developed, Opportunistic Value (OV) & Frontier strategies, each of which now have established track records over 1, 3 & 5 year periods. In the year to June 2019, these efforts brought their reward with particularly strong inflows into the Developed product, which with its OV companion, now represents 18% of total Funds under Management (FuM), while diversified products overall account for 22% of FuM. In a similar vein and as noted in my interim report, we recruited a specialist Real Estate Investment Trust (REIT) team during 2018 and, with seed investments totalling US$5million from CLIG, two products were established in January 2019 – a developed (ex-US) REIT and an EM REIT fund. The initial performance of these two funds is encouraging and while it will take some time to create a comparable track record within their REIT peer group, I am pleased to report that they have already secured an initial subscription from a long-standing CLIG client. Despite generally lower revenue margins, the potential to grow these diversification products without capacity constraints offers an important growth path for the Group over the medium to longer term.

Results

The volatile market backdrop made for marked swings in CLIG's FuM during the year with a corresponding effect on revenues. While the aforementioned Developed inflows, particularly in the second half of the year, enabled us to finish the FY 2019 with a 6% YOY increase in FuM to just under US$5.4 billion, the average FuM across the year as a whole was down by 3% to US$5.1 billion. As the mix of our business continues to diversify, it is inevitable that the blended margin will continue to fall slightly, as witnessed by a 5% reduction this year to 76bp. These twin headwinds of market disruption in the first half and margin erosion resulted in an 11% fall in pre-tax profits to £11.4 million for the year, with earnings per share down 12% to 34.9p. Total expenses for the year rose by 1% due mainly to the addition of the REIT team and additional costs associated with the Employee Incentive Plan (EIP), each of which represents an "investment" in future business and employee tenure. Tight cost controls remain a hallmark of CLIG's profit and loss account with the cost/income ratio still at a very healthy 43%. Encouragingly, the combination of new inflows and healthier markets have helped run-rate profitability recover more recently to the levels of FY 2018 and we are hopeful that, in the absence of extreme market gyrations, the current year will see a return to profit growth.

Dividends

Your Board attaches great importance to providing shareholders with a generous but stable flow of dividends, balanced by a policy of prudential capital management. To this end, we have for some years adhered to a dividend cover ratio of 1.2:1 based on rolling 5-year periods, using accumulated retained earnings to address any short term profit swings that derive from emerging market volatility. In conjunction with this policy, it is the Board's intention that as and when retained earnings build up over time and in the absence of other capital commitments, any excess accumulated capital can be distributed by way of special one-off dividends and we were pleased to be able to adopt this policy in the current year with the payment of a 13.5p special dividend in March. Taken together with our proposed unchanged final dividend of 18p, this will bring total distributions to shareholders in respect of the year to June 2019 to 40.5p. Based on the proposed regular dividend payments of 27p for this year, the rolling cover ratio will remain within our policy guidelines at 1.24:1 (excluding unrealised investment gains) while the Group remains debt-free.

Board

Shareholders will be very aware that our founder and long-standing CEO, Barry Olliff, had for some time past signalled his intention to retire at the end of 2019. In anticipation of this important milestone, the Board formulated a management transition plan in 2018, which culminated in the appointment of Tom Griffith as CEO and Mark Dwyer as Group CIO on 1st March 2019. These appointments underline the Board's priority of providing continuity in the management of the business, as evidenced by the fact the three remaining executive directors, Tom, Mark and our Finance director, Tracy Rodrigues, have served CLIG for an aggregate 53 years. I am pleased to report that with just a few months before Barry's retirement date, the transition plan has progressed smoothly.

Earlier this year, Mark Driver, who had been a non-executive director (NED) of the Company for the last three years, indicated his wish to resign from the Board due to increasing business commitments elsewhere and I would like to extend my thanks and appreciation to Mark for his constructive and valuable contribution as a director of the Company over this period. Peter Roth's appointment to replace Mark brings our NED complement back to four and, importantly, provides an equal balance between US & UK-based NEDs, as well as providing us with more diverse skill-sets at Board level.

Barry Olliff

CLIG traces its roots to Olliff & Partners, a London-based broker established by Barry in (1987) to specialise in closed-end investment trusts, a market sector in which he had already accumulated more than 20 years experience. Recognising the opportunities available in the expanding universe of CEFs in the emerging markets, the CLIG Group was formed, offering its first product in 1991 and as a specialist manager CLIG grew rapidly through the 1990's, attracting clients in both the US and the UK. Despite the cyclical volatility that has occurred sporadically since those early days, CLIG has adhered resolutely to a value-driven and prudential approach to CEF investment on behalf of a loyal client base throughout its history. This track record is very largely the result of one man's commitment to a business which he built from scratch nearly 30 years ago. The global CEF sector is a relatively small part of the broader equity market universe but, within that sector, Barry Olliff has been a pioneer, making an outstanding contribution not only to the development of CEFs to a wider investor audience but also in blazing a trail of high standards in corporate governance and transparency in the management of client assets.
Few can match Barry's pre-eminence in the investment world and CLIG is fortunate to have had his stewardship and guidance for so long. On behalf of all clients, shareholders and employees, I would like to thank him for his distinguished contribution to the Company. While Barry will be resigning from the Board effective 31st December 2019, he intends to remain available as an adviser to the Group for the following two years to ensure appropriate continuity. I know I speak for the whole Board in wishing him the very best in his well-deserved retirement. He will be missed.

Outlook

While volatility appears likely to remain the order of play in the coming months, your Board remains firmly of the view that the CLIG business model, wedded to a prudent and long term approach to CEF investment, will continue to reward all stakeholders through above average performance, stable dividends and a working environment offering opportunity. Although there are capacity constraints in key areas of our investment universe, we will continue to invest in and explore all opportunities for growth. Our ambition is to be the "go-to" manager within the wider CEF universe as we believe that this specialist segment offers the best prospect of value creation for the CLIG stakeholder community.

This year our AGM is to be held at our Gracechurch Street offices on Monday 21st October and I do encourage all shareholders to join us at the meeting. Following the formal business of the meeting, your directors look forward to the opportunity of meeting you individually. In the meantime, I do encourage all stakeholders to read the rest of this report as I firmly believe that it continues to provide a high level of relevant information and transparency in the day-to-day conduct of your Company.

Barry Aling
Chairman

12th September 2019

CHIEF EXECUTIVE OFFICER'S STATEMENT

"Barry has built a successful and enduring business, based on *Constant Improvement*, which is now positioned for further success. We intend to achieve this while remaining true to the three stakeholders in our business – *Clients, Shareholders and Employees.*"

When I first began to write this report, it occurred to me how daunting a task it is to follow an industry innovator and successful business Founder. I then recalled a phrase that Barry would say to me frequently over the years, "Just tell it like it is." And so, here "it is"…

As part of a transition process that has been planned for the last five years, on 1st March 2019 Barry Olliff took a step towards his planned retirement by transitioning the CEO and Group CIO positions that he has held since founding the Group in 1991 to me and Mark Dwyer, respectively. Barry remains involved with daily activity providing guidance and support as necessary. He will remain on the CLIG Board until his retirement on 31st December 2019. Thereafter, Barry intends to act in an advisory capacity for at least two years providing continuity throughout the transition and beyond.

Barry has built a successful and enduring business, based on **Constant Improvement**, which is now positioned for further success. We intend to achieve this while remaining true to the three stakeholders in our business – **Clients, Shareholders and Employees**.

From the standpoint of **Employees**, while Barry has historically provided the leadership and vision for the Group, I believe that he would say that his colleagues at CLIG have been instrumental in achieving CLIG's success, and that he has confidence in our collective ability going forward. The team of people that manage and operate your Company are as deep, experienced and committed as I have seen during my 19+ years at the Group. We have a proven operating model and as the old adage says "if it ain't broke, don't fix it".

History suggests that management transitions from a business Founder have a low percentage of success. The difference in this transition from other company management changes is that **this is an Evolution, not a Revolution**. There is a strong management team and a wealth of experienced employees within both Investment Management and the Operational areas of the Group. In addition, and as noted by Barry in his Interim Review earlier this year, Carlos Yuste has rejoined the Group as the Head of Business Development bolstering the depth and experience of management to continue developing the business. Prior to his departure in 2015, Carlos was the Executive Director in charge of Business Development.

While the upcoming retirement of a business Founder presents certain challenges, we are well prepared and feel that this is business as usual. **Shareholders** seem to have echoed this view through a display of confidence leading to a stable, and even rising, CLIG share price during this transitional period. To all of our shareholders, we thank you for the level of support you have shown.

We will continue down the path that Barry has established in the transformation from a single to multi-product business, thus diversifying our sources of revenue and improving the quality of our earnings. We will remain focused on investment performance. We will continue to support and build the diversification strategies. And, we will remain focused on costs and the operating leverage that exists in the Group. Notwithstanding the transition, we continue to look for further diversification opportunities.

Our **Clients** remain a primary focus. The diversification products have gained significant traction. Our Clients understand that we have not lost Barry's experience. Rather, we are building upon the strong foundation he created.

As Barry has mentioned relative to his own CLIG share ownership on previous occasions, albeit on a much smaller scale, any wealth that I may have is invested in shares of CLIG. I am fully committed to the continued value creation of CLIG shares now and into the future.

Finally, on a personal note, I imagine that it must be hard for the Founder of a business to turn over his creation, passion and life's work to the next generation.

To Barry's credit, he has done so with pride, grace and dignity, although I continue to sense the passion that he has for the business and the industry. It is this passion he applies to every aspect of his work that I believe is at the core of his success. Although he is not yet gone, Barry Olliff (2 L's, 2 F's, no E) should know that he will be greatly missed.

FuM flows

As you will be aware from our trading update, the EM & Frontier strategies experienced net outflows of US$205 million over the financial year due primarily to clients rebalancing their equity exposure. The Developed and Opportunistic Value products experienced net inflows over the same period of US$301 million. The table below shows net flows into and out of our various business areas over the 5 years through 30th June 2019.

The pace of flows into the Developed strategy accelerated in the second half of the financial year with US$158 million of the US$253 million invested. The strategy ended the fiscal year with a FuM increase of 52% at US$729 million, and continues into the new fiscal year with over US$100 million of new commitments. Combined, the Developed and Opportunistic Value strategies ended the year just under US$1 billion and approach 20% of the FuM managed by the Group across all strategies.

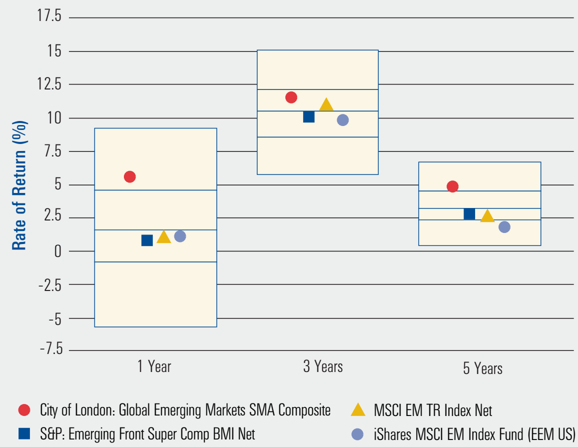
Investment performance

In prior CEO reports we provided insights into the reasons our Emerging Markets (EM) products lagged the benchmark over the 12-month period ended June 2018. This underperformance resulted from widening discounts and, to a lesser extent, poor NAV performance from the underlying closed-end funds (CEFs) in which we invest. These discounts remained stubbornly wide into the 4th quarter of 2018, at which point emerging markets sentiment began to improve resulting in significant narrowing of discounts through 30th June 2019.

This mean reversion of discounts towards average historical levels, in combination with good country allocation and recently improved performance from the underlying CEF's NAVs, has led to a period of strong investment performance through 30th June 2019. While further details relative to performance are provided on pages 18 and 19 the chart above illustrates the positive results of this discount narrowing wherein our representative EM composite has demonstrated 1st or 2nd quartile annualised performance over 1, 3and 5-year periods.

Global Emerging Markets SMA Composite Returns as of: 30th June 2019

*According to eVestment Alliance**



Notes

Global Emerging Markets SMA Composite returns
*96.6% of the universe has been updated through to 30th June 2019
Past performance is no guarantee of future results.

Source: eASE Analytics System, S&P, MSCI, Bloomberg

Note: Returns are gross of fees

CLIM net flows across strategies (US$000's)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Emerging Markets	22,698	150,116	(295,333)	(215,083)	(183,521)
Frontier	100,000	25,000	11,001	67,000	(21,336)
Developed	–	(20,000)	68,551	279,394	252,883
Opportunistic Value/Tactical	142,602	(14,772)	(56,136)	54,251	48,236
REIT	–	–	–	–	6,000
Discontinued strategies	(335)	(2,038)	–	–	–
Group total	**264,965**	**138,306**	**(271,917)**	**185,562**	**102,262**

Note: Excludes internal asset transfers

CLIG KPI

In the Half Year Report 2018/19, Barry Olliff announced the planned change of our primary Key Performance Indicator (KPI). As a result of changes in the public companies that we felt were our reasonable competitors and, more importantly, changes in our own mix of business, we have moved away from comparing our Total Return (T/R) to that of our peers. We have instead adopted the following two primary "Share Price" KPIs:

- Compound the T/R of a CLIG share, through a cycle, by 7.5% to 12.5%, on an Annualised basis.

  -- OR --

- Double the Cumulative T/R of M1EF, through a cycle, where M1EF is the most relevant Emerging Markets Index.

For both KPIs, we define a cycle as a rolling 5-year period. We are using that timeframe as the measurement period. Results for the most recent rolling 5-year period are provided on page 20.

As these are new KPIs, we would like to be transparent regarding how the data would have looked historically, as that look-back provides good context for future measurement. On the next page is a graph showing the Cumulative T/R of a CLIG share versus that of the M1EF Index, rebased to 100, where CLIG is represented by the blue line and M1EF

CHIEF EXECUTIVE OFFICER'S STATEMENT

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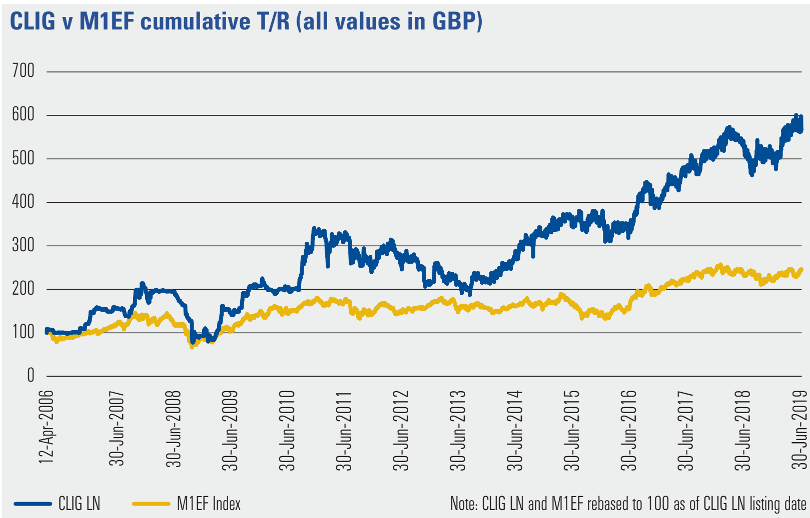


by the gold line. The Annualised T/R of a CLIG share was 14.0% since the initial listing date through 30th June 2019 thus outpacing the target range of 7.5 to 12.5%, while that of M1EF for the same period was 7.0%.

The historical context for the second primary KPI (i.e. CLIG shareholders should receive 2x the Cumulative T/R of M1EF), can also be seen from the same graph. Since the initial listing date, the Cumulative T/R of 467.1% for a CLIG share compares to 145.9% for M1EF.

KPIs are expected to stretch management, but not in a manner that would put undue risk on our shareholders. We believe these two "Share Price" KPIs are valid metrics, and our goal remains to achieve one of the two over a rolling 5-year period. We look forward to reporting on our progress in future communications.

Closed-end fund corporate governance

The Eleventh Edition of CLIM's Statement on Corporate Governance and Proxy Voting Policy for Closed-End Funds was published in August 2019. This document was first published in 1999 in an attempt to identify and support "best practice" in the governance of CEFs, as well as to lay out our Core Values. While initially the document was focused on CEFs that offered predominantly Emerging Market exposure, as our business has grown and diversified, so has our focus on corporate governance across the CEF spectrum. Our approach to governance and voting is consistent across the CEF strategies. The revised document is available on our website.

One development that transpired since we published the (prior) Tenth Edition of this statement in 2016 is that a more openly assertive approach was adopted specifically in the US from March 2017 in response to discounts that had widened materially across the US EM CEF sector. When we determined that Boards were not going to act to address the underlying problems, we took steps to protect our clients' interests. We have long highlighted the differences between UK and US corporate governance norms and practices, but March 2017 marked a point where those differences became extreme. To a large extent, the divergence is now less pronounced because US Boards got the message that discounts must be managed via control of the supply of outstanding shares, due partly to growing pressure from low cost ETFs offering similar exposure. In the UK, Boards continue to be more engaged with investors and typically more focused on longer-term investment performance when determining whether the supply of a CEF is in line with demand.

China Fund

As an update to the reference in the Half Year Report 2018/2019 regarding our involvement with the China Fund (CHN US), our engagement resulted in the Board's implementation of both enhanced investment management techniques and best practice in CEF corporate governance.

Per the Chairman's Statement in the Fund's 2019 Interim Report, CHN's investment performance has been good thus far; the Board has been reduced from seven to three Directors; the change in custody, accounting and administration services are estimated to have yielded savings exceeding $700,000 per year; travel-related expenses have been reduced through eliminating unnecessary trips to Asia and through greater use of technology-enabled communications, and; legal fees were reduced via negotiation of an annual contract price for recurrent business. Annual savings for CHN shareholders, absent the extraordinary legal costs incurred in 2018, are estimated at US$1.3 million per year. Compared to 2018, when overall expenses were seriously inflated by legal and proxy-related expenses as the prior entrenched Board fought CLIG's competing proxy, the savings amount to US$2.8 million.

CLIG FuM and fee income

Funds under Management (FuM) increased considerably over the half year (US$4.6 billion as of 31st December 2018) and ended the year higher than last (US$5.4 billion at 30th June 2019 versus US$5.1 billion at 30th June 2018), but net fee income decreased from £31.6 million in the previous year to £29.9 million for year-end 30th June 2019. This reduction in revenue is as a result of: 1) the significant downturn in markets in the last calendar quarter of 2018; and 2) FuM lost in Emerging Market products being replaced by lower fee rates in our Diversification products.

CLIG expenses

While we had intended to make some cost reductions at the end of the half year, circumstances changed significantly in the second half of the financial year. At December month end, FuM was at US$4.6 billion looking as if we were headed below US$4.5 billion and possibly lower. Instead, at June month end we were at US$5.4 billion looking more like we were headed upwards through US$5.5 billion. Under these changed set of circumstances, our approach was adjusted to account for the change in market conditions. Monthly costs were held between £1.0 million and £1.1 million per month.

Diversification products

The REIT Team has settled in and the two new funds (International and Emerging Markets) launched 1st January 2019 now have a 6-month performance track record. We are encouraged by performance thus far and remain optimistic about raising assets in the medium term. A three year (or even potentially five-year) record will be necessary to gain significant traction with a number of clients and consultants in the US market.

As mentioned previously, the Developed and Opportunistic Value products gained significant traction this year. As the Opportunistic Value strategy track record approaches the 5-year mark, there is the potential for greater acceptance of the product by clients and consultants over the next 12 months. More information on all the Diversification products is available in the Business Development section on pages 18 and 19.

Cash, dividends and CLIG diversification

In addition to maintaining the dividend this year at 27p (9p Interim, 18p Final), the CLIG Board approved a special distribution of 13.5p per share. Also, share buybacks of 301,000 shares purchased at a weighted average price of £3.86 were completed in the market when there appeared to be good opportunities to buy shares cheaply.

Inclusive of our regulatory and statutory capital requirements, there is £13.8 million in the bank in addition to the seed investment of US$5 million that was made into the two REIT funds in January 2019. This level of cash allows us the flexibility to continue considering corporate diversification opportunities that could enhance the Group's earnings and share price.

EIP

The Employee Incentive Plan (the EIP), approved by shareholders in 2016, has been a success in terms of increasing employee ownership of CLIG shares with over 60% of staff participating in the plan. Fiscal year end 30th June 2020 is the final year for the shareholder approved 5% allocation of pre-bonus, pre-tax, operating profits to cover the charge of the Bonus Share Awards. Thereafter, these awards will fall within the 30% limit of the existing profit-share pool.

Brexit

At the time of writing, the outcome of the Brexit process is unclear. The extent to which CLIG will be impacted is thus clouded by this uncertainty, but the trans-Atlantic nature of the Group gives us some confidence in the face of these circumstances. We are fortunate that the preponderance of our client base are US institutions which will be only tangentially affected by fallout from a potential "no deal" Brexit.

Barry Olliff intended CLIG share sales

In keeping with Barry's previous statements, I would like to remind shareholders of his intentions regarding share sales.

As he approaches retirement on 31st December 2019, Barry intends to sell 500,000 shares at each of 450p, 475p, and 500p subject to close periods, etc.

We believe that this statement of Barry's intentions should continue in order to maintain the openness and accountability with shareholders that he has provided over the years and leading up to his retirement.

CLIG outlook

The Investment Management team is experienced and has been very stable. Our Emerging Market products have out-performed their relative benchmarks, and our Diversification products continue to gain traction and diversify our source of income.

Management of the Company have worked together for a number of years and through multiple market cycles. Many of us have grown up together within a partnership environment and are to a great extent a homogeneous unit.

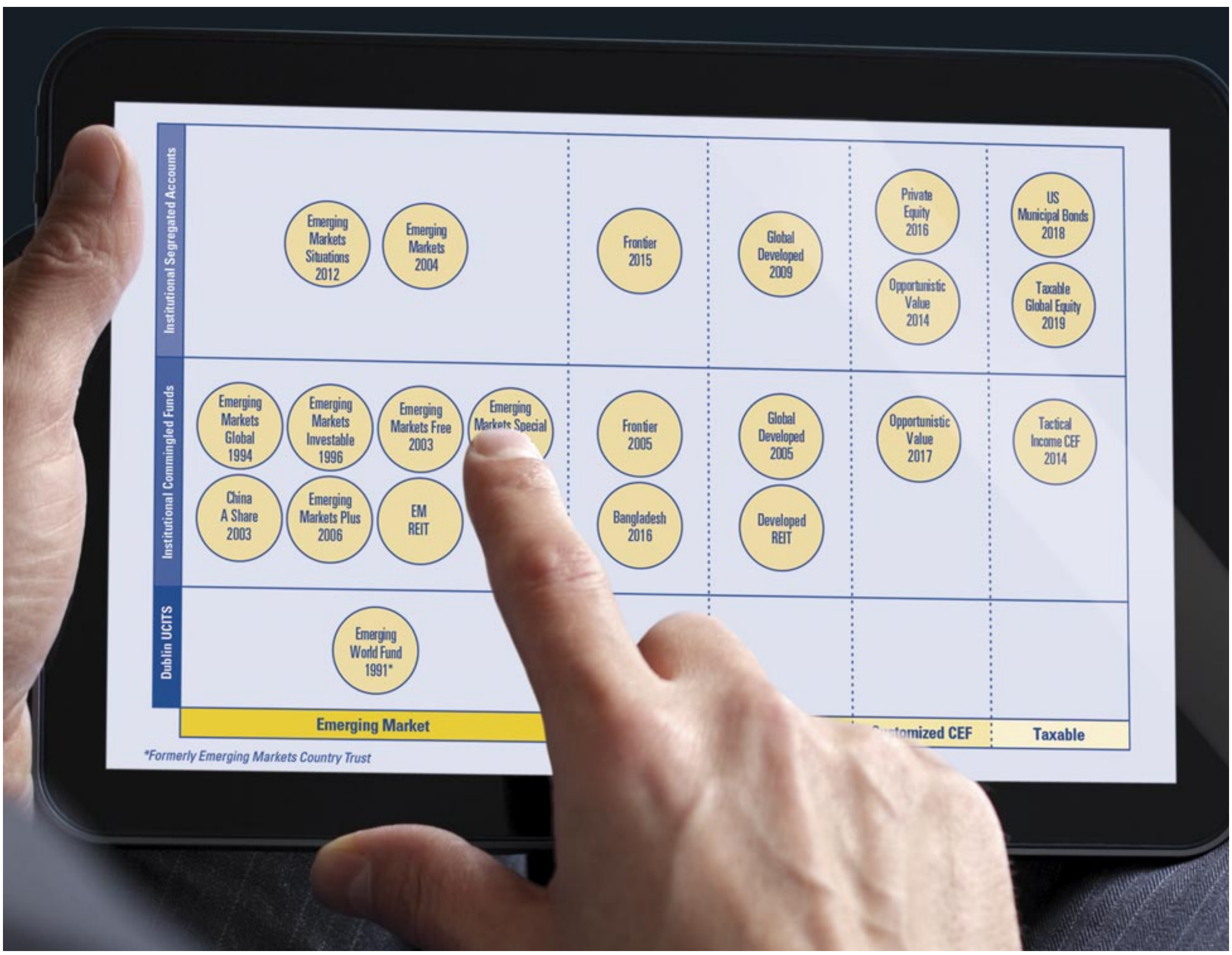
While there is always room for improvement, I would suggest that as a team, we are optimistic regarding the future of CLIG.

Tom Griffith
Chief Executive Officer

12th September 2019

WHAT WE DO

At City of London, we focus on designing products that reflect our expertise. Initially, and for many years since the Group was founded, that expertise was very specific to closed-end funds which offered emerging markets exposure.



This was subsequently complemented by research into the underlying equities that are represented within closed-end fund portfolios. Next came dedicated access products such as the China A-share CEF which invests in closed-end funds listed in Shanghai and Shenzhen.

In addition, our global trading platform and knowledge of closed-end funds has been extended to meet client demand. We now manage funds applying our investment process to Developed markets, Frontier markets, Opportunistic Value (formerly Global Tactical Asset Allocation) and Private Equity via closed-end funds.

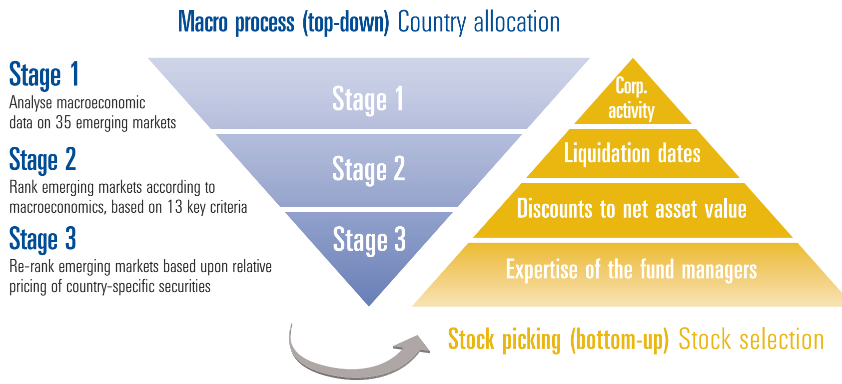
We recently added a Real Estate Investment Trust (REIT) team that will focus on emerging market and global REITs, a complementary area with similarities to closed-end funds.

So today, while we remain both proud and protective of our "boutique" status, we seek to meet client needs across a suite of products anchored by our core expertise in the global universe of closed-end funds.

HOW WE DO IT

THE INVESTMENT PROCESS

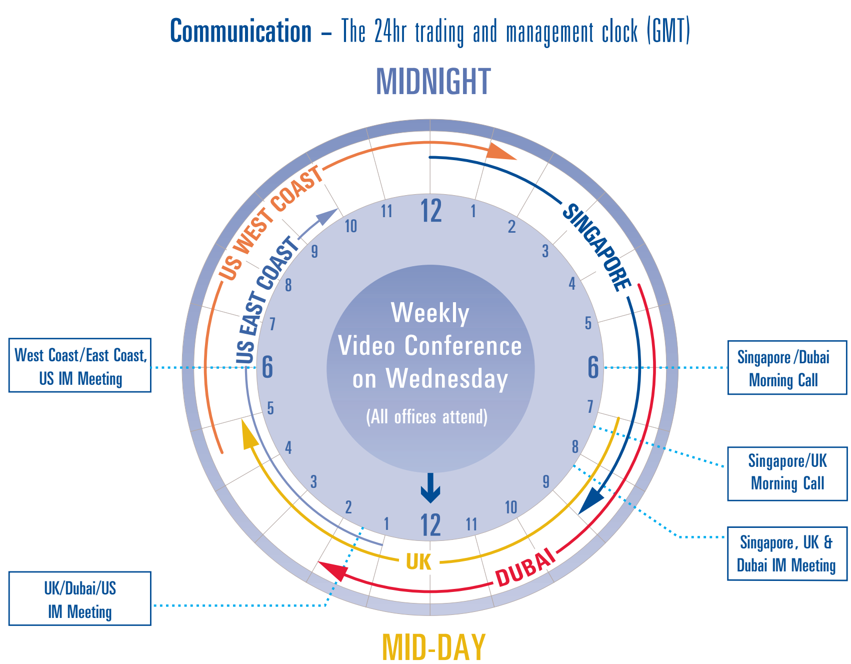
We have developed and nurtured a team investment process which does not rely on 'star' fund managers, but rather upon experienced fund managers using analytical procedures that can produce repeatable and sustainable first or second quartile performance versus our peers.



Our process employs an array of proprietary tools for analysing and identifying value. These quantitative tools supplement both macroeconomic analysis and over 25 years of trading expertise. This process has delivered long-term relative outperformance combined with low volatility relative to our clients' benchmarks through both bull and bear markets.

OUR COMPETITIVE ADVANTAGE

We believe that our approach and philosophy differs significantly from our peers. Our investment process identifies opportunities to capture pricing anomalies in securities trading at a discount to their net asset value. Our resolute focus is on generating consistent investment performance – over time and through economic cycles within a controlled risk environment.



We consider that there are many benefits of having offices strategically positioned around the world.

Our first office was in London in 1991. This was followed by our US East Coast office in 1995, Singapore in 2000, Dubai in 2007 and our US West Coast office in 2015. Via these offices we can research and trade all of the securities within our Universe in their relevant time zone real-time. We consider this to be a significant competitive advantage – the alternative being placing orders with brokers, going to sleep and finding out the next morning the transaction price and relevant stock market and currency levels.

Our process driven investment approach is applicable to all sectors represented by the global universe of closed-end funds and investment holding companies.

THE MANAGEMENT OF CLIM

The way in which we manage our business is different too. We are very risk-averse. Profits, margins and costs are carefully managed to provide our staff with appropriate remuneration and shareholders with significant, sustainable dividends.

We support teams. What this means is that we discourage the cult of the individual or "star" fund manager, believing that the risks associated with a star culture are detrimental to both shareholders and clients. The average tenure of our 14 fund managers is 14 years.

The present Management Team has an average tenure of 13 years. The members of the Management Team are the Executive Directors plus: Ashleigh Simms, Head of Compliance; Michael Edmonds, Head of the Developed/ Opportunistic Value Strategy; Jeff Gill, Head of the Frontier Strategy; Ted Sevick, Portfolio Manager – EM CEF; Alan Hoyt, Head of IT; Anthony Inverso, Chief Operating Officer; Courtney Short, Head of US Client Servicing; Carlos Yuste, Head of Business Development; and Jennifer Kratzer, Head of Performance and Attribution who joined the Management Team on 1st May 2019.

OUR STRATEGY AND OBJECTIVES

We believe that both our strategy and our objectives should be to support the three stakeholders in our business.

THE CLIENTS
(PAY THE BILLS)

Expect: Superior investment performance, Openness and accountability, Ethical treatment.

THE EMPLOYEES
(MANAGE THE BUSINESS)

Expect: Fair treatment, Open communications, To share in success.

THE SHAREHOLDERS
(OWN THE BUSINESS)

Expect: Relevant risk controls, Quality earnings, Cost controls.

Our responsibility is to keep these three stakeholders in balance (avoid conflicts) and to ensure that each of their interests is safeguarded.

OUR STRATEGY AND OBJECTIVES

What follows is background information regarding what we are attempting to achieve in terms of growth, how we can achieve this and how we deal with our shareholders.

We address this under the following headings:

1. OUTPERFORM

2. RETAIN STAFF

3. INCREASE FUM FROM LONG-TERM INSTITUTIONAL INVESTORS

4. REMAIN OPEN IN OUR DEALINGS WITH SHAREHOLDERS, AVAILABLE AND ACCOUNTABLE

5. KEEP COSTS DOWN

6. CORPORATE CITIZENSHIP

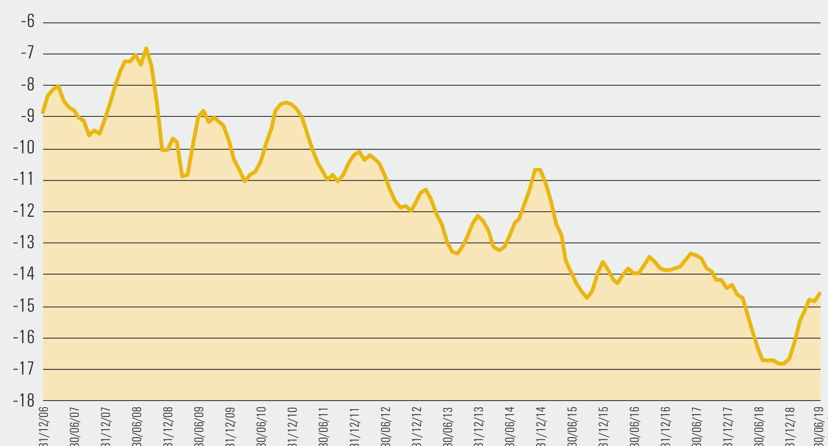
7. CONTINUE TO DIVERSIFY OUR BUSINESS

1. Outperform

Our job as an active manager is to add value over and above a relevant benchmark through an investment cycle which we define as four to five years.

Size-Weighted Average Discount (SWAD) – Representative account*

3-Month rolling average portfolio discount December 2006 to June 2019



Source: City of London Investment Management

*Represents the largest segregated account managed against the S&P Emerging Frontier Super Composite Net TR BMI

Performance over the most recent market cycle, the five years ending June 2019, has been positive relative to benchmark across all strategies bar Frontier. In addition, all strategies including Frontier are ranked above average (1st or 2nd quartile) versus their respective institutional peer groups; over 90% of assets are in the first quartile over this five year period.

Over the past one year, to June 2019, the core EM CEF Strategy outperformed the benchmark by approximately 300bps net of fees. This was driven by a recovery in discounts from the multi-year wide levels witnessed in 2017/18 (see chart above). Country allocation was also a strong contributor with overweights to Russia, Romania and India augmented by an underweight to China. NAV performance also picked up in the second half of the period as a number of EM CEFs benefitted from strong stock selection, particularly in China.

The International Strategy underperformed due to weak NAV effects, particularly in European and UK focussed CEFs. In the Opportunistic Value strategy an underweight to US equity was a headwind to relative performance. The Frontier Strategy underperformed due to weak NAV effects; this was particularly pronounced within Argentina where our investments significantly lagged the local benchmark.

OUR STRATEGY AND OBJECTIVES

CONTINUED

2. Retain staff

As shareholders would expect, in a Group that has always used a partnership approach, we take a very long-term view with regard to remuneration.

A testament to our approach is that our 14 fund managers have an average tenure of 14 years.

Our remuneration policy is stress-tested in a number of ways:

- We have to deal with very volatile cash flows, thus our need to keep salaries towards the lower end of market levels.
- With five offices (not all of which are in financial centres) in four countries we have to be aware of different pay scales, policies, costs of living and tax rates.

In the table below we show the relationship between staff and Directors' salaries and bonuses, referred to as remuneration, from 2010 to 2019.

Other benefits, such as pension, share option awards, the Employee Incentive Plan and medical insurance have been excluded from this table.

Remuneration costs for Directors and Employees from 2010 to 2019

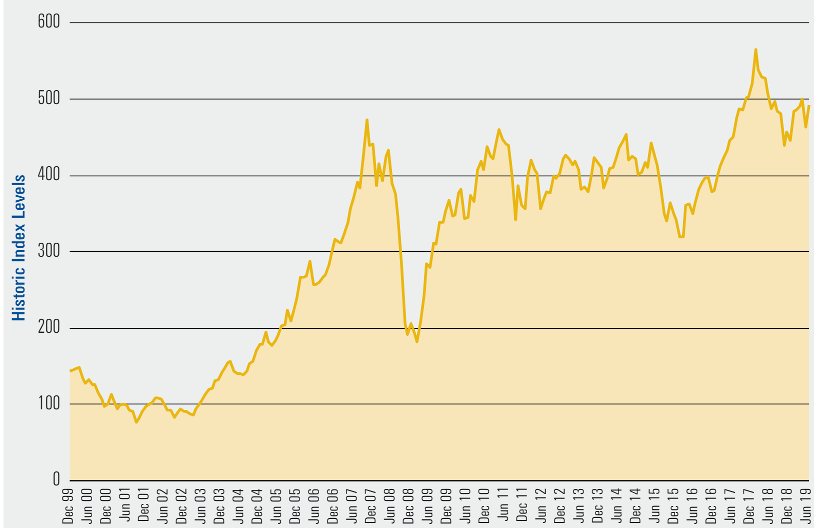
	2010 Total £'000	2011 Total £'000	10/11 % change	2012 Total £'000	11/12 % change	2013*(6) Total £'000	12/13 % change	2014 Total £'000	13/14 % change	2015 Total £'000	14/15 % change	2016 Total £'000	15/16 % change	2017 Total £'000	16/17 % change	2018 Total £'000	17/18 % change	2019 Total £'000	18/19 % change
Executive																			
Barry Olliff *(1)	1,125	1,178	5%	981	-17%	548	-44%	660	20%	773	17%	729	-6%	999	37%	1,071	7%	904	-16%
D F Allison *(2)	538	648	20%	565	-13%	282	-50%	–	–	–	–	–	–	–	–	–	–	–	–
T W Griffith *(1)	384	466	21%	414	-11%	326	-21%	334	2%	459	37%	473	3%	653	38%	696	7%	601	-14%
C M Yuste *(1) *(3)	383	465	21%	413	-11%	325	-21%	334	3%	458	37%	88	-81%	–	–	–	–	–	–
V S Tannahill *(4)	–	–	–	–	–	69	–	–	–	–	–	–	–	–	–	–	–	–	–
M D Dwyer *(5)	–	–	–	–	–	–	–	–	–	–	–	317	–	619	95%	670	8%	550	-18%
T A Rodrigues *(5)	–	–	–	–	–	–	–	–	–	–	–	178	–	474	166%	501	6%	439	-12%
Executive Directors	2,430	2,757	13%	2,373	-14%	1,550	-35%	1,328	-14%	1,690	27%	1,785	6%	2,745	54%	2,938	7%	2,494	-15%
Employees	5,851	7,297	25%	7,822	7%	6,845	-12%	6,504	-5%	7,006	8%	6,863	-2%	8,205	20%	8,535	4%	8,987	5%
Total	8,281	10,054	21%	10,195	1%	8,395	-18%	7,832	-7%	8,696	11%	8,648	-1%	10,950	27%	11,473	5%	11,481	0%
Average head count and FX rates																			
Executive Directors	4	4		4		4		3		3		4		4		4		4	
Employees	58	64		73		73		67		67		68		68		69		69	
Average FX rates	1.60	1.58		1.59		1.57		1.62		1.57		1.48		1.27		1.35		1.29	
Percentage of aggregate spend																			
Executive Directors	29%	27%		23%		18%		17%		19%		21%		25%		26%		22%	
Employees	71%	73%		77%		82%		83%		81%		79%		75%		74%		78%	
Director average	608	689	13%	593	-14%	388	-35%	443	14%	563	27%	446	-21%	686	54%	735	7%	624	-15%
Employee average	101	114	13%	107	-6%	93	-13%	97	4%	104	7%	100	-4%	120	20%	124	3%	130	5%
Profit before tax (excl. NCI)	10,379	13,150	27%	11,462	-13%	10,160	-11%	7,242	-29%	8,791	21%	7,796	-11%	11,590	49%	12,792	10%	11,151	-13%
Dividend per share	22.0p	24.0p	9%	24.0p	0%	24.0p	0%	24.0p	0%	24.0p	0%	24.0p	0%	25.0p	4%	27.0p	8%	40.5p	50%

*(1) Remuneration paid in US Dollars
*(2) Resigned 15th April 2013
*(3) Resigned 31st December 2015
*(4) Appointed 1st January 2013 and resigned 15th April 2013. Remuneration disclosed for this period only.
*(5) Appointed to Board 19th October 2015. Remuneration disclosed from this date only.
*(6) Excludes loss of office payments

2. Retain staff

(continued)

MSCI emerging markets net total return index
US$ based



After looking at the graph above a shareholder might ask how we are able to keep staff.

Q. "When assets and your asset class move sideways, how do you keep staff?"

A. Those that have been with the Group for a significant period have benefited from previous "good times".

Q. "What about younger staff who have not been through a complete cycle?"

A. We will lose some, but our intention is to employ people who are prepared to take a long-term view. Improved technology also plays a part; this allows for improved productivity thus allowing the ability to reward staff progressively.

Q. "How do you motivate and keep staff for the long-term?"

A. While the remuneration packages we offer are competitive, they are not market leading, so we try to employ people who will buy into the philosophy of the Group. Where possible, we try to employ graduates or young people leaving education so they can grow with the Company and we can teach and mould them to be the best they can be. We feel this creates loyalty in employees and results in stable, contented teams that are consistently in place for lengthy periods.

Q. "What other areas do you find fulfil staff at the Group?"

A. Not all staff, even in financial service companies, are driven to extract maximum financial gain. There has been an increasingly noticeable trend amongst staff in terms of fulfilment also coming from lifestyle and environmental considerations. Community outreach, charity support along with support for the under privileged are additional means via which staff can be motivated within a corporate environment.

Q. "What is the percentage of staff that committed to purchase CLIG shares via the new EIP?"

A. We are pleased to say that c.65% of staff have elected to participate in both this financial year and in the year ending 30th June 2020.

OUR STRATEGY AND OBJECTIVES

CONTINUED

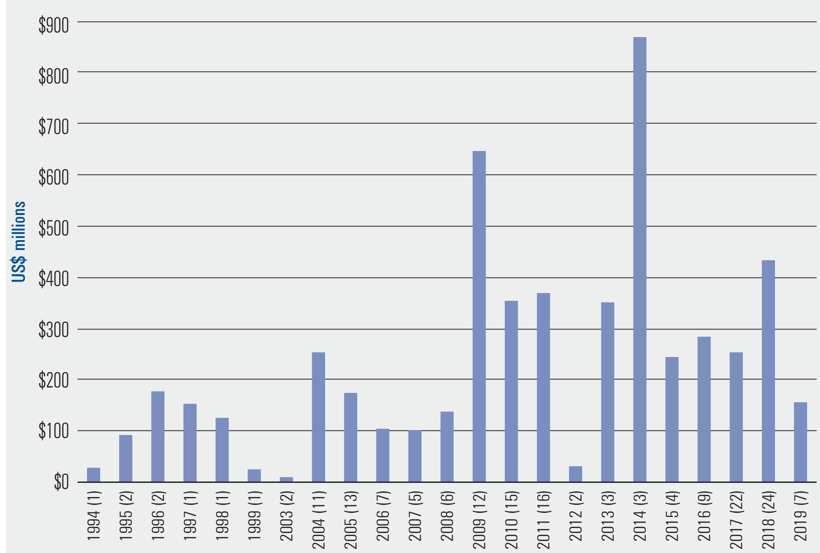
3. Increase FuM from long-term institutional investors

City of London's client base is, and always has been, overwhelmingly US based and institutional. Our clients include pension funds, foundations, endowments and other institutional money managers.

What our clients have in common is a desire to access the returns available in 'difficult' emerging markets. We have provided that access over many years and cycles and have generated long-term outperformance for our clients. This allows our clients to focus on their asset class allocation decisions.

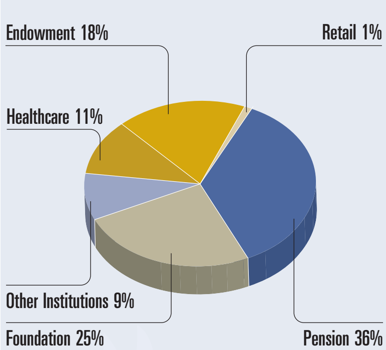
We have c.170 institutional clients, many of whom have been clients of the Group for many years. The graph below shows the length of time that clients have been invested with us.

Client market value as of 30th June 2019



Calendar year of initial client inception, along with number of accounts incepted

CLIENTS BY SECTOR



Ten largest clients by market value

	Client	Market value 30th June 2019	Inception date
1	Foundation	$737 million	28-May-2014
2	Public	$419 million	21-Sep-2009
3	Public	$284 million	15-Oct-2013
4	Public	$193 million	01-Apr-2016
5	Public	$165 million	02-Feb-2015
6	Endowment	$159 million	01-Nov-1996
7	Corporate	$154 million	01-Mar-1997
8	Corporate	$152 million	01-Dec-2010
9	Corporate	$135 million	01-Apr-2011
10	Endowment	$131 million	01-Jun-2004
	Total	**$2,529 million**	

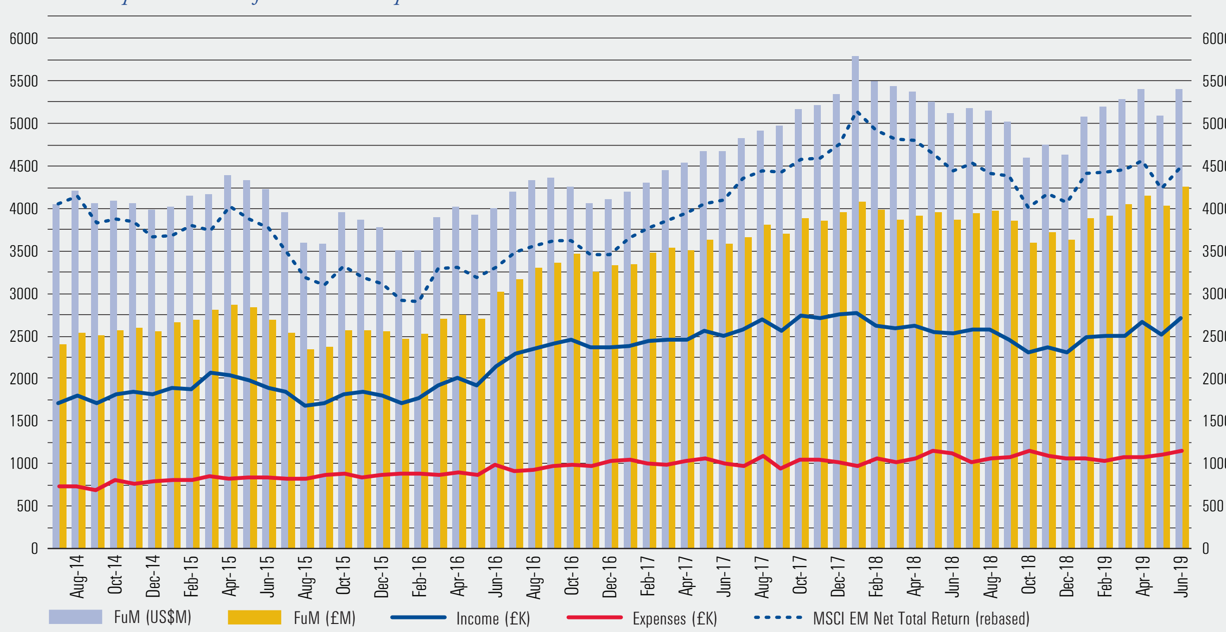
The ten largest clients are all North American.

4. Remain open in our dealings with shareholders, available and accountable

We take the opportunity to meet shareholders whenever possible. This might be at one-to-one meetings with our larger institutional holders or at group meetings with advisers and individual shareholders. We believe that our shareholders have a right to know what to expect from us. For this reason, we try to make all of our announcements clear and accessible. We also provide supplementary data such as the following graph from our management accounts, which is updated on our website after relevant announcements (www.citlon.co.uk).

Rolling 5 year Funds under Management and Profitability

Excludes exceptional items of income and expenditure



We have provided an illustrative framework which we update twice a year to enable interested parties to calculate our post-tax profits based upon some key assumptions. The dividend cover chart on the next page shows the quarterly estimated cost of a maintained dividend against actual post-tax profits for last year, the current year and the assumed post-tax profit for next financial year based upon the following assumptions:

- Starting point Current FuM (June 2019).
- Net increase in 2019/2020 (straight-lined to June 2020):
  – emerging market CEF strategy zero.
  – non-emerging market CEF strategies US$250m.
- Operating margin adjusted monthly for change in product mix and commission run-off.
- Market growth: 0%.
- Increase in overheads: 0%.
- Increased "financing" cost due to IFRS16, net of interest income, £0.1m.
- EIP charge: 5% of operating profit (final year).
- Corporation tax based on an estimated average rate of 21%.
- Exchange rate assumed to be £1/$1.27 for entire period.
- Number of CLIG Shares in issue (26.6m) less those held by the Employee Benefit Trust (1.5m) as at 30th June 2019.

OUR STRATEGY AND OBJECTIVES

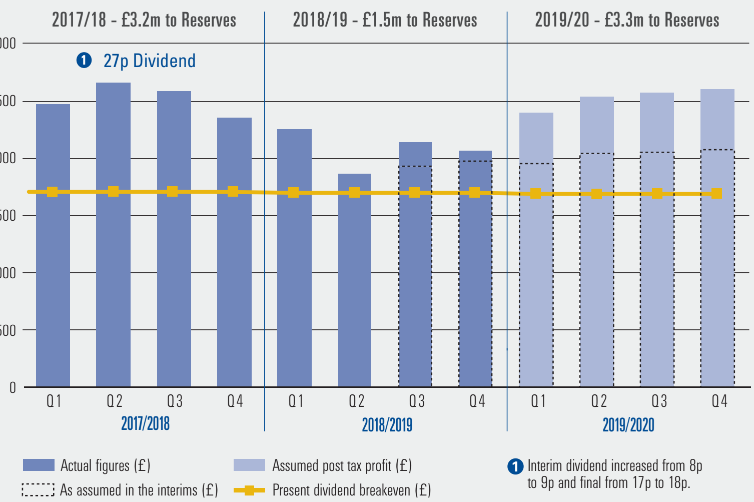
4. Remain open in our dealings with shareholders, available and accountable

(continued)

Given the assumptions on the previous page it should be possible for shareholders and other interested parties to construct models projecting our profitability based upon their own opinions.

Dividend cover

Actual and assumed over three financial years



Note: Excludes unrealised gains on seed investments and special dividend of 13.5p per share paid on 22 March 2019

Furthermore we have sought to make our dividend policy – the most direct way we have of rewarding shareholders – as clear as we can. We will continue to pay out the major part of post-tax profits in dividends. The Group's dividend policy is detailed below. This is going to be applied with flexibility, with approximately one third payable as an interim dividend and two thirds as a final.

Dividend policy

This policy was introduced in 2014 and reviewed during the current financial year. No changes were proposed. It was designed to incorporate the required flexibility to deal with the potential volatility of CLIG's P&L. Details as follows:

- This is not a long-term policy. Rather it will be reviewed after five years and every five years thereafter.
- This policy specifically takes into account the implicit volatility in CLIG's earnings as a result of its significant present exposure to the emerging markets.
- Once this reliance upon the emerging markets is reduced the cover could be further reduced.
- The intention should be to put around £1 million to reserves in a normal year. For guidance a normal year would be considered the average of the previous five years.
- This would imply a cover ratio of circa 1.2 times (1.2x).
- While the cover is targeted as 1.2x this will continue to be applied flexibly and the annual dividend will approximate to this cover on a rolling five year average.
- The Board will take into account both the CLIG budget for the next year and market outlook when determining the current year's dividend.

5. Keep costs down

We keep costs down because we believe that the assets over which we provide stewardship are, by definition, not ours but are owned by CLIG shareholders.

We do not work in expensive offices and when we travel we do not stay in five star hotels.

We do not need expensive offices to undertake our work and most of the time we are in a hotel we are there to sleep rather than it be a part of our lifestyle.

Keeping the overhead down is good business practice as it provides more money for dividends, bonuses and reserves and thus assists with relative job security.

In addition, efforts are made to limit inter-office air travel. Internal meetings are almost exclusively conducted by video conferencing, which we have in all our offices.

6. Corporate citizenship

Over the past few years there has been a realisation that corporations have a responsibility both for and separately within the community.

With regard to CLIG's responsibility within the community, our awareness has been growing significantly over the past few years. Resourcing internal tools such as CLIM's intranet to communicate upcoming events and campaigns encourages employees to contribute to the community. Additionally, providing updates at CLIG's annual Strategy Meeting and highlighting accomplishments in COLeague News, an internal publication, further supports the recognition that the interests of the community are used as a measurement of success for the Group and are seen as a complement to how the business is run.

What are the targeted involvements within the community? We take a multi-pronged approach to allocating our human resources across the communities, as we 1) attempt to understand the greater needs of the communities we work in and 2) champion initiatives that are personal causes to individual employees. This means we can, and do, support both local events of national and global charities, as well as local community specific events. Additionally, by the nature of our five office structure, this means that we are able to offer a wide array of community involvement events to staff, and we have found that a greater variety allows for greater participation throughout the year. In turn, this can also provide for meaningful results as some events will be chosen on a personal level and will have a greater impact for specific employees and their families. These efforts and services work hand in hand to protect cultures and customs not only within the community outreach programs but also within the workplace. Further details on community contributions are referenced within the Corporate and Social Responsibility Policy on page 34 of these accounts.

7. Continue to diversify our business

We see this as an important component of our strategy to make the business more robust, manage risk and enhance long-term shareholder return.

Having established ourselves as a Group with an institutional client focus, specialising in emerging market closed-end funds, we applied our extensive knowledge of the closed-end fund (CEF) industry to successfully develop a range of non-emerging market CEF products which at 30th June 2019 represented c.22% of Funds under Management.

In addition, we launched two new REIT products which we believe are a good fit with our investment process. As is common practice in our industry, we have seeded the new funds. This will be a long-term commitment, as with all new products, it takes many years for these new strategies to establish themselves and find a footing in the marketplace.

We continue to look at other business opportunities to complement our main area of expertise: closed-end funds.

BUSINESS DEVELOPMENT REVIEW

Overview

Long-term investment performance in the emerging markets closed-end fund (CEF) strategy remains strong, with first or second quartile results versus manager peers over the 3 and 5 year rolling periods ending 30th June 2019.

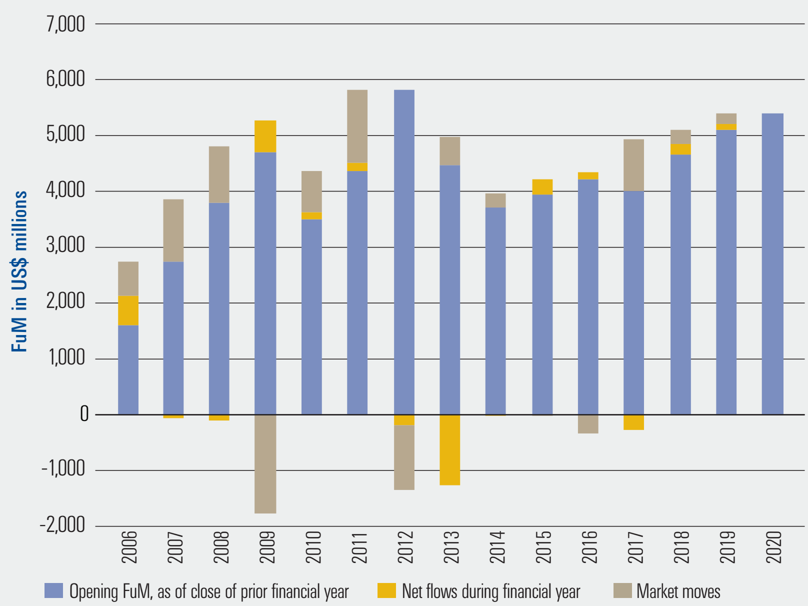
There were new inflows of $164 million in our core emerging market strategies, which were countered by outflows of $348 million, leading to net outflows of $184 million as clients rebalanced after strong gains in emerging markets over the first half of 2019.

Fundraising in the diversification products resulted in inflows of $398 million and outflows of $118 million for a net gain of $280 million. Net inflows by product were $253 million in Developed Markets strategies, and $48 million in Opportunistic Value strategies, which were countered by net outflows in Frontier of $21 million.

Diversification products now represent circa 22% of Group Assets Under Management (AUM), compared with 18% last year. These additional assets will assist in efforts to raise the profile of our extension CEF products with institutional consultants and plan sponsors.

Net inflows of approximately $140 million are confirmed for the new financial year.

Total in flows – out flows



Years shown represent start of historical financial year data which reflects the previous year end FuM (30th June) as a starting point. Dates prior to 2014 reflect 31st May year end data. CLIG changed its financial year end to 30th June in 2014.

Products

Continued client and consultant interest in our Developed and Opportunistic Value CEF products resulted in assets growing in these strategies by 52% and 34%, respectively, over the year.

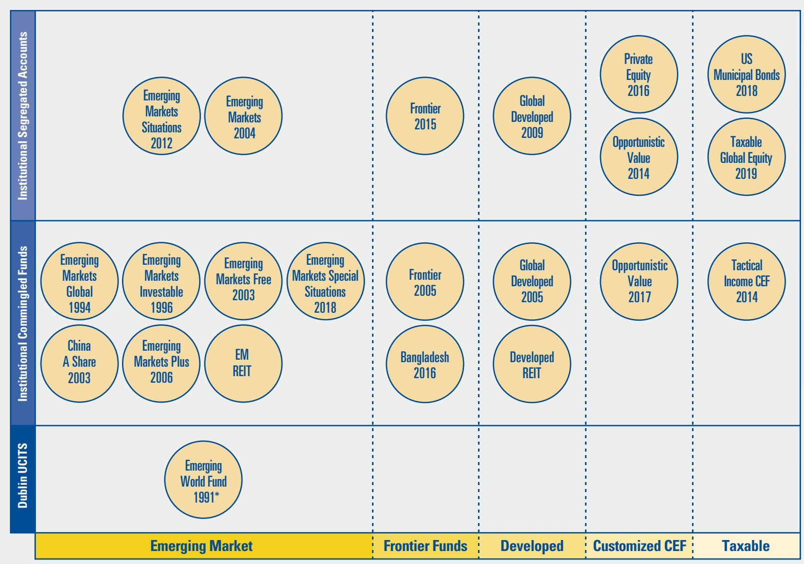
The Developed Markets CEF Strategy utilises our experience with closed-end funds in our core Emerging Markets strategy to provide exposure to global developed markets.

Opportunistic Value CEF Strategy, formerly known as Global Tactical Asset Allocation CEF Strategy, was renamed as it encompasses a variety of asset classes via closed-end funds and adopts a go anywhere approach. While this is a separate team from the team managing client assets in the emerging markets, both teams use the same methodology and internal operational resources. Both taxable and tax-exempt products are available.

The Frontier Emerging Markets CEF Strategy, which is an extension of the Emerging Markets core equity product focusing on the smallest or pre-emerging markets with high growth potential.

We recently added a **Real Estate Investment Trust (REIT)** team that will focus on emerging market and global REITs, a complementary area with similarities to closed-end funds.

Business diversification
Products map



**Formerly Emerging Markets Country Trust*

Performance

The core EM strategy outperformed (by approximately 300 bps, net of fees) for the full year as discounts narrowed and country allocation was positive. The Developed, Opportunistic Value and Frontier strategies all recorded negative relative performance due to a combination of negative NAV and country allocation effects.

The Global Emerging Markets Composite investment returns for the rolling one year ending 30th June 2019 were 3.89% vs. 1.21% for the MSCI Emerging Markets Index in USD and 0.98% for the S&P Emerging Frontier Super BMI Index in USD.

The Global Developed Composite investment returns for the rolling one year ending 30th June 2019 were -2.09% vs. 1.29% for the MSCI ACWI ex US in USD.

The Frontier Markets Composite investment returns for the rolling one year ending 30th June 2019 were -8.91% vs. 10.74% for the S&P Frontier EM 150 benchmark in USD.

The Opportunistic Value Composite investment returns for the rolling one year ending 30th June 2019 were 1.85% vs. 6.16% for the 50/50 MSCI ACWI/Barclays Global Aggregate Bond benchmark in USD.

Outlook

Marketing efforts will continue to be targeted at investment consultants, foundations, endowments and pension funds. We will also continue to introduce our capabilities to family offices, outsourced CIO firms and alternative consultants. Our Developed and Opportunistic Value capabilities will be the focus of our product diversification and business development activities.

KEY PERFORMANCE INDICATORS

As our focus is to create shareholder value, we may revise the reporting of these KPIs as their level of importance changes through market cycles. Any changes will be explained.

Shareholders should bear in mind that we do not manufacture widgets, that is to say that whereas a widget manufacturer has a few variables to deal with, we have many. Specifically, we have many more than a typical fund manager, as exposure to the Emerging Markets and their currencies provides significant additional volatility.

We are a relatively small Group and thus can be nimble in taking action.

We should also point out that we are not asset gatherers, preferring to focus on investment performance and client retention.

Furthermore, whilst we can talk about investment performance, long-term clients, stability of staff, levels of the stock market, business plans, budgets and cost savings, these influences do not necessarily automatically come through to the bottom line in terms of the measurement of shareholder value.

Total shareholder return

We continue to believe that the true measure of a management team is the long-term total return of the shares of the company that they manage. As noted in the 2018 Interim Statement, and explained in the CEO Statement, we have elected to change the previous KPI related to the performance of our peer group, as many of these firms are no longer emerging market focused. Instead, we will measure our performance against the MSCI Emerging Markets T/R Net Index (M1EF), the benchmark via which c 90% of our profits are achieved.

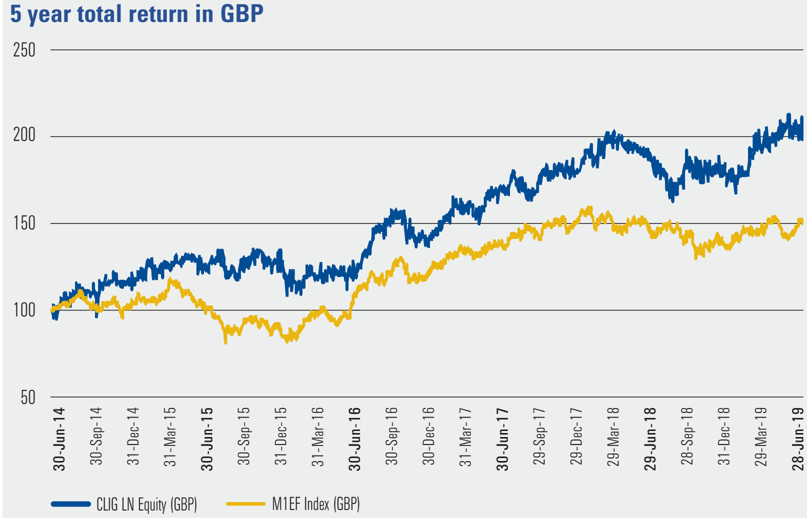
This is evaluated at two levels over a five year period:

- Our share price to compound annually at between 7.5% to 12.5%; or
- Our share price to double the cumulative return of the M1EF.

The new measures are meant to stretch the management team, without increasing the Group's level of risk. Our goal is to achieve one of the two over a rolling five year period.

For the five years ending 30th June 2019, CLIG's total return was 100.4% (14.9% per annum), this compares favourably with the 52.3% total return from the M1EF, albeit slightly behind the 2x target.

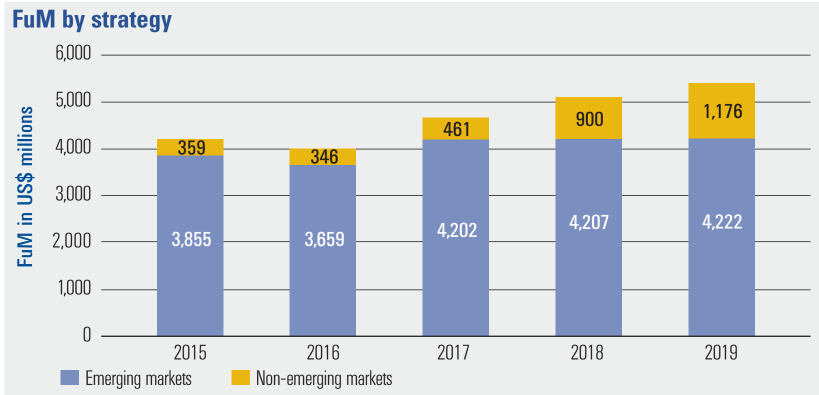
5 year total return in GBP



Separate from our share price, which we consider to be our main KPI, we have selected additional KPIs which we believe will enable shareholders to measure the future viability of CLIG. These are as follows:

1. FUM & DIVERSIFICATION

The level of FuM is a key driver in the Group's profitability. With a limit to the size / percentage of our Emerging Market investable universe that we can manage, our main business development strategy is to diversify our product range.

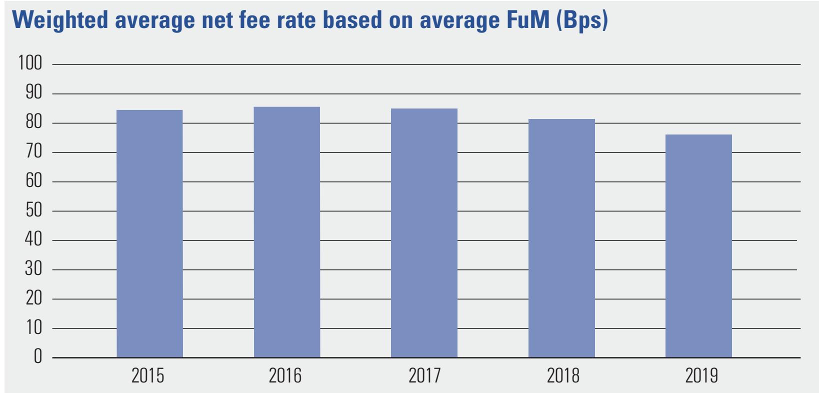


Overall FuM are up 6% this year principally due to an increase in the diversification strategies.

2. WEIGHTED AVERAGE NET FEE RATE

This is the weighted average net fee rate earned by the Group. Changes in fee rates, product and investor mix as well as the commission run-off* are the principal factors which impact the weighted average rate. In general, the emerging market strategy commands higher fees than the non-emerging market strategies (with the exception of Frontier).

*Referenced on Page 28



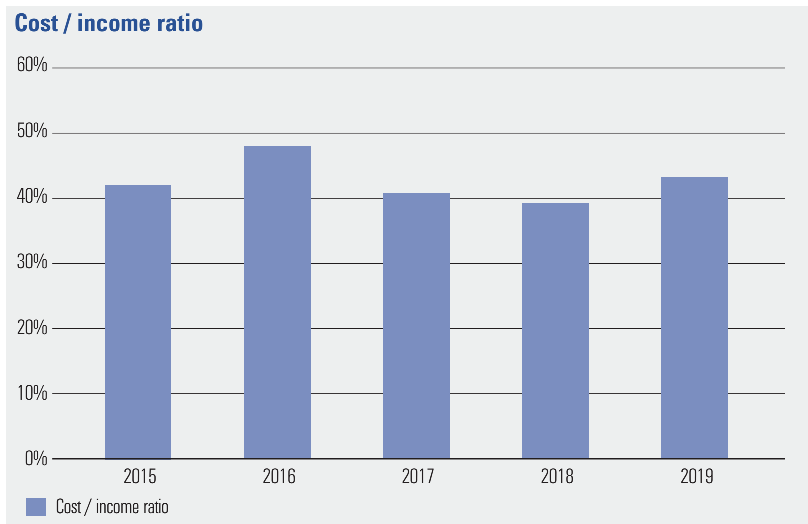
The above chart shows the annual net fee income measured as a percentage of the average annual FuM.

KEY PERFORMANCE INDICATORS

CONTINUED

3. COST / INCOME RATIO

We believe cost control is an important discipline for any business to be successful. We look to balance the cost of growth and development with stakeholder returns.



The cost / income ratio is based on our fixed overhead to net fee income.

In absolute terms, overheads are up 4% year on year and net fee income is down c 6%.

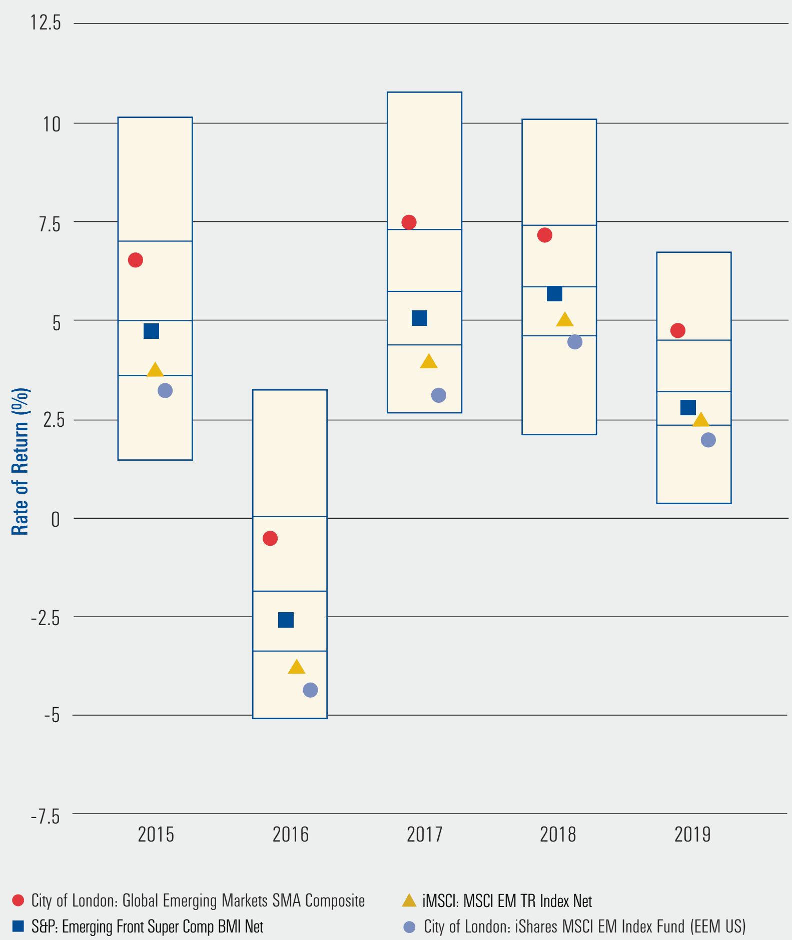
4. INVESTMENT PERFORMANCE

Our reputation depends on consistently strong investment performance versus both relevant benchmarks and peers. Outperformance enhances client retention and provides the opportunity to expand our client base.

Recent investment performance in our core EM CEF strategy has been stronger primarily due to a narrowing trend in our SWAD. In addition, positive country allocation and, more recently, a pick-up in the NAV performances of the underlying CEFs in which we invest have also been helpful for performance.

Global Emerging Markets SMA Composite 5 year annualised returns

*According to eVestment Alliance**



*95.6% of the universe has been updated through to 30th June 2019

The current benchmark for the Global Emerging Markets SMA Composite is the S&P Emerging Frontier Super Composite Net Total Return BMI (S&P Super BMI). The MSCI EM Net TR Index and iShares MSCI Emerging Markets ETF are shown for comparative purposes.

Past performance is no guarantee of future results.

Source: eASE Analytics System, S&P, MSCI, Bloomberg

Note: Returns are gross of fees for relevant CLIM fund and peer group.

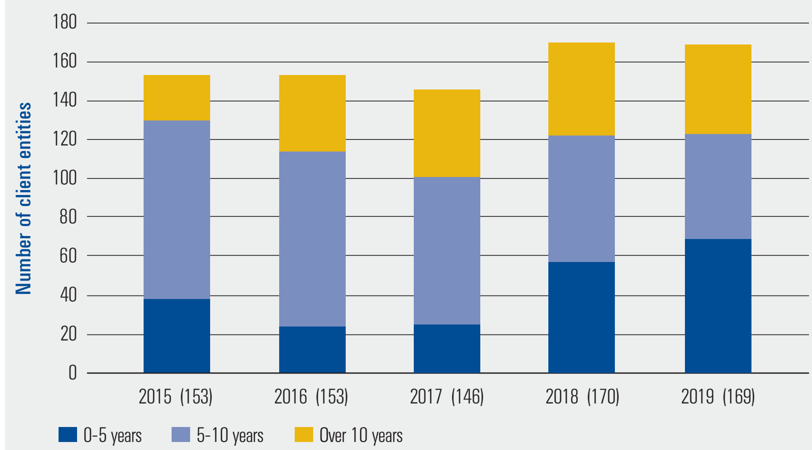
KEY PERFORMANCE INDICATORS

CONTINUED

5. CLIENT LONGEVITY

We find that stability of investment performance equates to stability of clients, but in addition there needs to be a belief amongst clients that both our investment process will be maintained and also that our employees will remain in place.

Client entity longevity

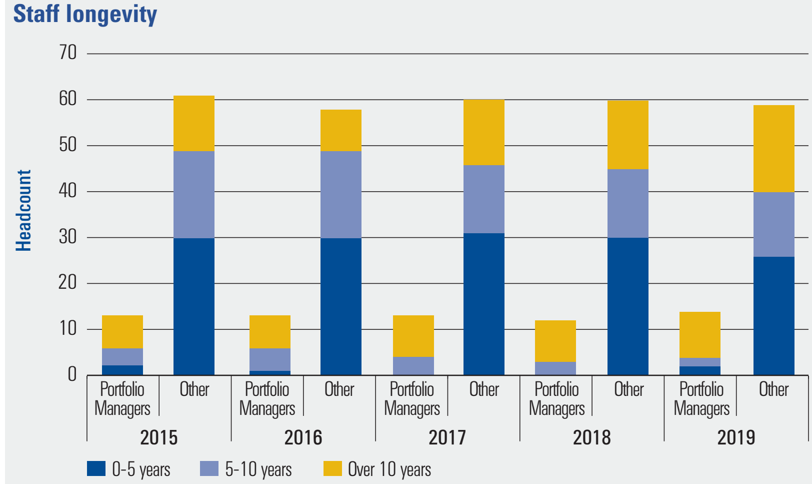


We have an active client retention programme in place which has both educated and ensured that our clients understand even more about our investment process.

6. STAFF LONGEVITY

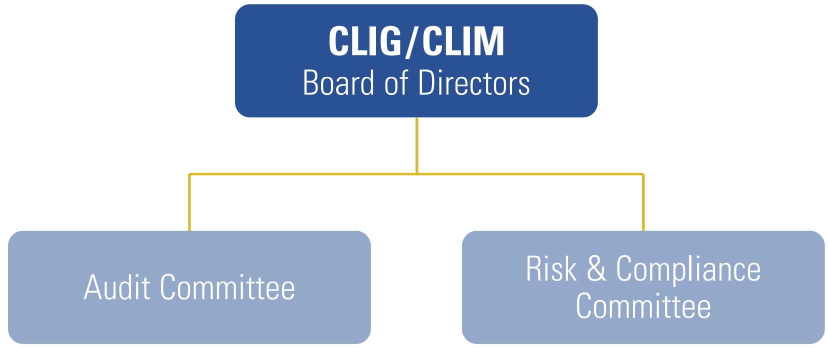
Our employees are a major asset. We spend time ensuring that we recruit, develop and retain the right people to complement the team, which in turn helps to create a stable working environment.

Staff longevity



Except for the REIT team that joined this year, all our Portfolio Managers have been with the Group for five or more years, and 40% of all employees have been with the Group for over ten years.

RISK MANAGEMENT



In the course of conducting our business operations, we are exposed to a variety of risks including market, liquidity, operational and other risks that may be material and require appropriate controls and on-going oversight.

The Board has established a Risk & Compliance Committee (the RCC) which is chaired by the Head of Compliance. The other members of the RCC are the four Executive Directors, the US Chief Compliance Officer and a representative covering US Corporate Governance. The purpose of the RCC is to assist the Board in the oversight, maintenance and development of the Group's risk and compliance frameworks in adherence with its risk appetite.

Whilst the RCC has day-to-day operational oversight of the risk management process, the Board of Directors have ultimate responsibility for setting the risk framework for the Group, including discussing and agreeing what the Group's overall top risks are, which are reviewed by the Board on a regular basis.

The Group's risk management process requires that each department/line of business reviews its risks and the business processes that occur in each and these are assigned both an inherent and residual risk rating, as whilst we cannot eliminate all risk, our aim is to proactively identify and manage those risks that have been identified.

The RCC meets five to six times each financial year to provide the members with a regular forum at which to ensure any relevant issues are discussed and agreed upon. At its meetings, the RCC reviews management information such as breaches and errors, personal account dealing, other business interests, gifts and hospitality, complaints, AML updates including new clients on-boarded, on-going screenings, as well as approving new or updated Group policies. Some of the key policies include: Code of Ethics, Global Anti-Money Laundering & Countering Terrorist Financing, Global Market Abuse Prevention, Global Anti-Bribery & Corruption Policy, Information Security, Conflicts of Interest, Compliance Manual, amongst others. All Group policies apply to all personnel, regardless of jurisdiction.

The RCC via the Head of Compliance reports to the Board on a quarterly basis and the Audit Committee at each meeting (currently three per financial year). In addition to reporting at these meetings, the Head of Compliance meets with the Chairman of the Group on a regular basis.

RISK MANAGEMENT

Internal control

The Group maintains a comprehensive system of internal control, including financial, operational and compliance controls. Each department/line of business within the Group is subject to an annual review by senior management, who are required to identify and report on the key controls pertinent to their responsibilities (this is in addition to the departmental risk assessments that are completed every six months).

The Board reviews the effectiveness of the system of internal control on an ongoing basis and this process is subsequently evaluated by the Audit Committee.

The Board and the Audit Committee continue to consider the need for an internal audit function and have concluded that, given the size of the business, the nature of its activities, and the other control mechanisms that are in place, an internal audit function is currently unnecessary.

The Head of Compliance attends both the Board and Audit Committee meetings.

Key risks

The Board has conducted a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The primary risk is the potential for loss of Funds under Management (FuM) as a result of poor investment performance, client redemptions, a breach of mandate guidelines or market volatility. The Group seeks to attract and retain clients through consistent outperformance supplemented by first class client servicing. As highlighted in the Business Development review on pages 18 to 19, the risk of our FuM being attributed to one geographical sector has been reduced over the past year, with the diversification strategies – Developed, Frontier and Opportunistic Value accounting for circa 22% of the Group's total FuM as at 30th June 2019.

In addition to the above key business risk, the Group has outlined what it considers to be its other Key Risks, including the controls in place and any mitigating factors.

Principal Risk	Controls / Mitigation
Key Person Risk	
Risk that key staff across the business leave / significant reliance on a small number of key staff members.	Team approach, internal procedures, knowledge sharing. Remuneration packages reviewed as needed to ensure talent / key staff is retained.

Principal Risk	Controls / Mitigation
Technology, IT / Cybersecurity & Business Continuity Risks	
Risk that technology systems and support are inadequate or fail to adapt to changing requirements; systems are vulnerable to third-party penetration or that the business cannot continue in a disaster.	IT monitors developments in this area and ensures that systems are adequately protected. Additional IT spend has resulted in a number of ongoing systems vulnerability testing that has taken place on the network, along with ongoing monitoring of the network to reduce our vulnerabilities. The Group actively maintains a Disaster Recovery (DR) plan. All offices maintain backups of all local servers, applications and data. The US replicates its backup to the UK and vice versa. Employees across its five offices are able to work remotely, accessing information and maintaining operations.
Regulatory and Legal Risk	
Risk of legal or regulatory action resulting in fines, penalties, censure or legal action arising from failure to identify or meet regulatory and legislative requirements in the jurisdictions in which the Group operates, including those of being a listed entity on the London Stock Exchange. Risk that new regulation or changes to the interpretation of implementation of existing regulation affects the Group's operations and cost base.	Compliance monitors financial services regulatory developments – both new regulations as well as changes to existing regulations that impact the Group. Implementation is done as practicably as possible taking into account the size and nature of the business. The CFO & finance team keep abreast of any changes to listing rules, accounting standards that may have an impact on the Group. Both Compliance & Finance receive regular updates from a variety of external sources including regulators, law firms, consultancies etc.
Material Error / Mandate Breach	
Risk of a material error or investment mandate breach occurring.	Mandate guidelines are coded (where possible) into the order management system and monitored on a daily basis by Investment Management and Compliance.

In addition, there are a number of less significant financial risks outlined in note 26 on pages 96 to 98.

FINANCIAL REVIEW

Consolidated income for years ended 30th June

	2019 £'000	2018 £'000
Gross fee income	31,933	33,931
Commissions payable	(752)	(1,160)
Custody & administration	(1,327)	(1,164)
Net fee income	29,854	31,607
Interest	89	56
Total net income	29,943	31,663
Staff costs	8,358	7,454
Other administrative expenses	4,254	4,717
Depreciation and amortisation	307	295
Total overheads	12,919	12,466
Profit before bonus/EIP	17,024	19,197
Profit-share	(5,580)	(6,094)
EIP	(851)	(520)
Investment income	804	209
Pre-tax profit	11,397	12,792
Tax	(2,352)	(2,732)
Post-tax profit	9,045	10,060
Other comprehensive income	6	(173)
Total comprehensive income	9,051	9,887

Group income statement and statement of comprehensive income

The Group income statement is presented in line with International Accounting Standards but it is perhaps easier to understand the Group's results if we were to present them in a slightly different way, as in the table provided. From here it is clear to see the profit to which the Group's profit-share provision and EIP cap apply.

The Group's gross revenue comprises management fees charged as a percentage of Funds under Management (FuM). FuM at 30th June 2019 were US$5.4 billion compared with US$5.1 billion at the end of last year, as a result of net inflows of US$0.1 billion and outperformance in our Emerging Market (EM) strategy. Even though FuM ended the year on a high, the average FuM for the current and prior years were US$5.1 billion and US$5.2 billion respectively, a decrease of c.3%.

The Group's gross revenue is down year on year by approximately 6% to £31.9 million (2018: £33.9 million). This is primarily due to general fee erosion and the mix of business, with the non-Emerging Market strategies, which attract lower fees, now representing 22% of FuM (2018: 18%). As this shift from EM to the diversified strategies continues it is to be expected that there will be a further decline in the weighted average fee rate. As an offset, revenue was bolstered by sterling weakening against the US dollar, with an average USD/GBP rate of 1.29 this year compared with 1.35 last year.

Commissions payable of £0.8 million (2018: £1.2 million) relates to fees due to third party marketing agents for the introduction of clients. The contract to which all but a small proportion of these commissions relate expired in October 2010. Under the agreement, commission is based on a period of ten years from the date of the client's initial investment. Consequently, next year will to all intents and purposes be the final year and based on current FuM levels, clients and exchange rates, the expected commissions would be in the region of £0.2 million.

The Group's net fee income, after custody charges of £1.3 million (2018: £1.2 million), is £29.9 million (2018: £31.6 million), down 6% on last year. As a weighted average percentage of FuM, net fee income is currently around 76 basis points compared to 80 basis points at the end of last year.

The overheads for the year amount to £12.9 million (2018: £12.5 million), which is up 4% on last year, and results in a cost-income ratio of 43% (2018: 39%), arrived at by comparison to net fee income. The largest component of overheads continues to be staff related at £8.4 million (2018: £7.5 million). The net effect of joiners and leavers was to increase costs by £0.6 million. The most significant joiners were the new REIT team and the Head of Business Development with the leavers mostly administration staff. The mid-year salary increase was de-minimis but the full effect of last year's mid-year increase resulted in an additional cost of £0.1 million. The balance of the increase in staff costs of £0.2 million relates to sterling weakening against the US dollar.

Total net income less overheads results in a profit of £17.0 million (2018: £19.2 million) to which the 30% profit-share is applied, which including payroll related taxes amounted to £5.6 million (2018: £6.1 million).

The Employee Incentive Plan (EIP) charges amounted to £0.9 million (2018: £0.5 million) which is within the 5% (2018: <3%) of profit before bonus approved by shareholders. This 5% limit is in place until the end of the next financial year, thereafter the cost of the EIP will fall within the 30% profit-share pool.

Investment income of £0.8 million (2018: £0.2 million) primarily relates to the unrealised gains on the Group's seed investments in its two new REIT funds, launched at the start of January 2019. It also includes the unrealised gains relating to minority third party interests in the REIT funds (£0.2 million).

The pre-tax profit of £11.4 million (2018: £12.8 million), after a corporation tax charge this year of £2.4 million (2018: £2.7 million), at an effective rate of 21% (2018: 21%), results in a post-tax profit of £9.0 million (2018: £10.1 million), of which £8.8 million is attributable to equity shareholders of the Company.

With the adoption of IFRS 9 this year there is now very little going through other comprehensive income, essentially only foreign exchange gains or losses on non-monetary assets. Previously the fair value movement on investments held would have been taken to other comprehensive income but now they flow directly through the income statement, as detailed in the notes to the accounts.

Group statement of financial position

The Group's financial position continues to be strong and liquid with cash resources of £13.8 million accounting for 62% of net assets (2018: £19.7 million, 92%).

The Group invested US$5 million (£3.9 million) seeding its two new REIT funds at the start of January 2019. By the end of June 2019 that investment was valued at £4.5 million, with the unrealised gain taken through the income statement.

The Group is required to report under International Financial Reporting Standards (IFRS) which outline the basis of consolidation. Where the Group holds seed investments in funds that it manages there are a number of factors which determine if those investments should be consolidated or not. The Group's two new REIT funds were assessed to be under the Group's control and therefore consolidated. These funds are consolidated on a line by line basis in the statement of financial position and include third party investments, collectively known as the non-controlling interest (NCI).

Other components of non-current assets are:

- property and equipment of £0.7 million (2018: £0.5 million), capitalised software licences of £0.2 million (2018: 0.3 million) representing an increased investment in IT systems and equipment of £0.1 million plus £0.3 million on the refurbishment of the London office following the renewal of its ten year lease, offset by the depreciation charge for the year of £0.3 million; and
- a deferred tax asset of £0.4 million (2018: £0.1 million) which is an estimate of the future corporation tax savings to be derived from the exercise of share options in issue at the financial year end plus timing differences on when a deduction can be taken on the EIP awards granted in the US.

The principal increase in liabilities relates to the employee waived profit-share in respect of participation in the EIP, £0.6 million. These funds are held on account until such time the awards vest or are forfeited. On vesting they will offset the loan to the Employee Benefit Trust (EBT). On forfeiture the lower of the waived bonus or the market value of the deferred shares at that time will be paid to the employee. The EIP has had a consistently high level of participation each year since inception (>60% of Group employees), with the first tranche of awards vesting in October 2018. Only 15% of those shares that vested were sold in order to help cover the employees' resulting tax liabilities, leading to a very healthy 85% share retention within the Group.

Following the vesting, £0.4 million was offset against the loan to the EBT, funded equally by the employee waived profit-share account and the EIP share reserve account, the latter being the Company matching element. In addition, Directors and employees exercised 164,605 (2018: 220,487) options over shares held by the EBT, raising £0.5 million (2018: £0.6 million) which was also used to pay down part of the loan to the EBT.

The EBT purchased 307,982 shares (2018: 227,742 shares) at a cost of £1.2 million (2018: £1.0 million) in preparation for the annual EIP awards due at the end of October 2019.

FINANCIAL REVIEW

Dividends paid during the year totalled £10.2 million (2018: £6.6 million). The total dividend of 40.5p per share comprised: the 18p final dividend for 2017/18, the 9p interim dividend for the current year plus a special dividend of 13.5p per share (2018:17p final for 2016/17, 9p interim, special nil). The Group's dividend policy is set out on page 16.

The Group also took the opportunity to use some of its surplus cash to fund the buy-back and cancellation of 301,000 shares at a weighted average price of £3.86, totalling £1.2 million. The impact of the reduction of shares in issue was to increase earnings per share by 0.6%.

The Group is well capitalised and its regulated entities complied at all times with their local regulatory capital requirements. In the UK the Group's principal operating subsidiary, City of London Investment Management Company Ltd, is regulated by the FCA. As required under the Capital Requirements Directive, the underlying risk management controls and capital position are disclosed on our website www.citlon.co.uk.

FX/Post-tax profit matrix

Illustration of US$/£ rate effect:

FuM US$bn	4.5	5.0	5.5	6.0	6.5
US$/£	Post-Tax, £m:				
1.10	8.9	10.7	12.5	14.2	16.0
1.15	8.4	10.1	11.8	13.5	15.2
1.20	7.9	9.6	11.2	12.8	14.4
1.25	7.5	9.1	10.6	12.2	13.7
1.30	7.1	8.6	10.1	11.6	13.1

Assumptions:

1 Average net fee 76 bp's
2 Annual operating costs £5m plus US$9m plus S$1m (£1 = S$1.8)
3 Profit-share 30%
4 EIP 5%
5 Average tax of 21%

Note: The above table is intended to illustrate the approximate impact of movement in US$/£, given an assumed set of trading conditions.

It is not intended to be interpreted or used as a profit forecast.

Currency exposure

The Group's revenue is almost entirely US dollar based whilst its costs are incurred in US dollars, sterling and to a lesser degree Singapore dollars and UAE dirhams. The table presented aims to illustrate the effect of a change in the US dollar/sterling exchange rate on the Group's post-tax profits at various FuM levels, based on the assumptions given, which are a close approximation of the Group's current operating parameters. You can see from the illustration that a change in exchange rate from 1.30 to 1.20 on FuM of US$5.0 billion increases post-tax profits by £1.0 million.

It is worth noting though that while the Group's fee income is assessed by reference to FuM expressed in US dollars, the underlying investments are primarily in emerging market related stock, and therefore the US dollar market value is sensitive to the movement in the US dollar rate against the currencies of the underlying countries.

To a degree this provides a natural hedge against the movement in the US dollar given that as the US dollar weakens (strengthens) against these underlying currencies the value of the FuM in US dollar terms rises (falls).

The Group's currency exposure also relates to its non-sterling assets and liabilities, which are again to a great extent in US dollars. The exchange rate differences arising on their translation into sterling for reporting purposes each month is recognised in the income statement. In order to minimise the foreign exchange impact the Group monitors its net currency position and offsets it by forward sales of US dollars for sterling. At 30th June 2019 these forward sales totalled US$6.8 million, with a weighted average exchange rate of US$1.30 to £1 (2018: US$9.0 million at a weighted average rate of US$1.38 to £1).

Viability statement

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the viability of the Group, taking into account the Group's current position and prospects, Internal Capital Adequacy Assessment Process (ICAAP) and principal risks as detailed in the Risk Management report on pages 25 to 27.

The ICAAP is reviewed by the Board semi-annually and incorporates a series of stress tests on the Group's financial position over a three year period. It is prepared to identify and quantify the Group's risks and level of capital which should be held to cover those risks.

Based on the results of this analysis, the Board confirms it has a reasonable expectation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

While the Directors have no reason to believe that the Group will not be viable over a longer period, any future assessments are subject to a level of uncertainty that increases with time. The Board have therefore determined that a three year period constitutes an appropriate timeframe for its viability assessment.

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

City of London Investment Group PLC (CLIG) recognises that, within its prime function of managing investment assets on behalf of its clients, the Group has an overriding obligation to meet the highest standards of corporate responsibility to all stakeholders, including clients, shareholders, employees and the communities in which the Group operates.

Group policies are focused on the following key areas:

1. WORKPLACE
2. ENVIRONMENT
3. ETHICS
4. COMMUNITY
5. RESPONSIBLE INVESTMENT

1. Workplace

Employee Welfare

In addition to the statutory obligations which apply to the Group's activities in each of its locations, CLIG is committed to maintaining transparent policies in respect of the following:

- Recognition of diversity through recruitment and promotion based on merit without regard to ethnicity, gender, religion, sexual orientation, physical ability or age.
- Strict adherence to and compliance with the regulatory requirements in force in each of our operating locations by all employees supported by clear guidelines that enable whistleblowing.
- Participation by employees in the Group's activities through share ownership arrangements that encourage employee retention and minimise turnover.
- Ensuring good practices and creating a workplace free of harassment and bullying and where everyone is treated with dignity and respect.

Health and Safety

CLIG is committed to maintain a high level of Health and Safety (H&S) by conducting internal H&S audits and risk assessments to improve ergonomics throughout its offices. All UK employees have access through our Group Income Protection policy to the Lifeworks Assistance programme, which offers confidential advice on personal and professional matters to staff and members of their immediate family.

Gender Diversity

2019	Female	Male
Directors	3	5
Senior managers	3	6
All other employees	21	39

As an employer, CLIG is committed to equality and valuing diversity within its workforce. As noted above, we believe that people should be appointed to their roles based on skills, merit and performance. We recognise that diversity adds value, but do not consider setting targets as appropriate in this regard. Our goal is to ensure that our commitments, reinforced by our values, are embedded in our day-to-day working practices.

At 30th June 2019 the gender ratio at Board level was 38% female to 62% male (2018: 25% to 75%).

Of our 73 employees, 34% are female (2018: 36%), including 33% of senior management (2018: 29%), and 35% of the remaining employees (2018: 38%).

Work/Life Balance

As the Group continues to adapt with advancements in technology, changes in culture, and the changing family circumstances of our employees, we try to be fair and flexible while retaining teamwork as one of our core values. To that end we have a working from home policy which applies to all Group employees.

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

CONTINUED

1. Workplace

(continued)

Human Rights

City of London Investment Group is committed to respect all human rights. Our operations and practices relevant to the workplace and community are aligned with the United Nations Universal Declaration of Human Rights.

Learning and Development

Our employees are an asset to us. We recognise and support the importance of encouraging all staff to complete professional qualifications relevant to their role, in order to progress and realise their full potential. We partner with our employees and contribute towards their development by sponsoring their studies and providing study leave. This year we have sponsored employees for their CFA & CMT studies, as well as contributing towards an employee's Master's Degree. This is in addition to the usual seminars and conferences our employees attend. Anti-money laundering and Code of Ethics training is provided annually to all staff. Employees also take responsibility for their development via our annual appraisal process, where they are able to discuss further training where they feel it is necessary.

We continue with the CLIG Security Education Programme (CSEP), which is a multi-faceted Cyber Security training program which includes online courses and videos via a web-based portal to allow employees to complete their training from anywhere.

We recognise the value of cross-training across our offices and regularly transfer employees to other offices to obtain experience. We currently have an employee from Philadelphia on a two year Cyber Security assignment at our Singapore office and recently we had a Singapore employee visiting the US office for three weeks of cross-training.

Internal training is available to all employees on all of our products. In addition, we offer awareness sessions on a regular basis to keep employees up to date with relevant aspects of the business. Our induction programme for new employees takes place over a period of weeks and is an ongoing process to ensure new employees settle well into the organisation and are confident carrying out the full scope of their duties.

2. Environment

City of London Investment Group believes that it has a responsibility to care for and protect the environment in which we operate. While CLIG's activities as an investment manager have a relatively modest direct environmental impact, we recognise that society's collective challenge to minimise environmental risks necessitates a pro-active stance to measure and, wherever commercially possible, improve the overall environmental performance. In addition to compliance with the regulations for all listed UK companies to disclose their greenhouse gas emissions as set out in detail on page 33, the Group endeavours to limit its carbon footprint through a series of group-wide initiatives with an aim to reduce absolute levels of emissions and waste volumes:

- Maximise use of video-conferencing facilities, which exist in all office locations and which serve to limit inter-office air travel by employees.
- Use of electronic media across the Group in place of paper reports.
- Shred and recycle all confidential waste. Recycle paper, cardboard, glass, printer toner cartridges.
- Our 'everyday paper' across the Group is exclusively paper certified by the Forest Stewardship Council.
- Comply with all relevant environmental legislation and regulations.
- Continually assess environmental performance and identify areas for improvement.
- Communication of our environmental policies to all stakeholders.

Tom Griffith is the executive Director responsible for the Group's environmental policy.

2. Environment
(continued)

Mandatory Carbon Reporting

Listed companies are required to report their annual greenhouse gas emissions. We have used the financial control approach and utilised the UK Government's Environmental Reporting Guidance and the Department for Environment, Food and Rural Affairs (DEFRA) conversion factors to calculate carbon dioxide emissions for all office locations. The intensity measurement used below is tonnes of carbon dioxide equivalent (CO_2e) per the average number of full-time equivalent (FTE) employees during the year.

Total CO_2e emissions

	2018/19		2017/18	
	Tonnes of CO_2e	Intensity ratio	Tonnes of CO_2e	Intensity ratio
Scope 1	–	–	–	–
Scope 2	131.9	1.81	150.3	2.06
Purchased electricity	*131.9*		*150.3*	
Scope 3	457.1	6.26	511.0	7.00
Business air travel	*449.0*		*498.1*	
Electricity transmission and distribution losses	*8.1*		*12.9*	
Total	589.0	8.07	661.3	9.06

Notes:
- Scope 1 emissions are direct emissions from sources owned or operated by the Group and have a mandatory reporting requirement. CLIG does not have any applicable Scope 1 emissions to report.
- Scope 2 emissions are those associated with electricity consumption and are mandatory to report.
- Scope 3 emissions are voluntary to report but, as they are the largest source of our carbon emissions due to business air travel, we deem it important to report them here. In accordance with DEFRA guidelines, we have also included an estimate of transmission and distribution losses, common to all buyers of electricity, under Scope 3 emissions.

3. Ethics

All CLIG employees are required to act in accordance with the Group's Code of Ethics (the Code). This lays out minimum standards of conduct to ensure that employees act ethically when dealing with our various stakeholders. It also seeks to ensure that all actual and potential conflicts of interest are identified, mitigated, and monitored on an ongoing basis. Any breaches of the Code are reported to the Board of Directors. All employees re-certify on a quarterly basis that they have read and understood the Code, and agree to act within the standards therein.

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

CONTINUED

4. Community

City of London Investment Group seeks to encourage employees to regularly participate in community support activities across a wide spectrum of causes that encompass both monetary and non-monetary efforts to help raise awareness. In turn, this fosters a culture of leadership, teamwork and appreciation within our Group and community. Our long-term goals include:

- Encouraging employee volunteer work in community activities.
- Engaging in programmes that make communities better places to live and work.
- Using local suppliers to help support businesses within the community.
- COLeague News, an internal CLIG document which helps raise awareness, share efforts and spread participation across all our offices.

2018/2019 Highlights include:

- Food Bank donations to support underprivileged families in the local communities (US & UK).
- Salvation Army and Community, Youth and Women's Alliance gift giving and donations (US & Singapore).
- Ramadan Community Campaigns to support refugees (Dubai).
- Support those in need through local community projects over the Christmas period (UK).
- Blood Drive through American Red Cross (US & Dubai).
- Save Our Stray Dogs, a volunteer-run organization dedicated to the welfare of Singapore's many street dogs (Singapore).
- Student backpacks and school supplies donation to support local schools with underprivileged students (US).
- Various runs and walks to support causes such as Juvenile Diabetes Research Foundation, Hearing Loss Association of America, School Educator Support Efforts, Cancer Research and Great Ormond Street Hospital Charity (US & UK).

As a matter of policy, CLIG does not make donations to any client related charity, event or activity, or to any political party or candidate.

5. Responsible investment

CLIG is committed to promoting responsible investment and effective stewardship, both as a means of advancing our clients' objective of superior long-term investment performance and in respect of our wider corporate obligations to all stakeholders.

In 2015 CLIG launched a significant initiative to promote Environmental, Social and Governance (ESG) awareness in emerging market investment trusts and closed-end funds (CEFs). We firmly believe that businesses which adopt best practice in their ESG policies will ultimately earn superior returns. We therefore promote responsible investment in CEFs both directly to managers and via their boards.

Our investment teams are using the ESG research of Sustainalytics, the leading independent responsible investment consultancy, as the basis of this work with investment managers. The process involves a detailed comparison of ESG characteristics of each closed-end fund versus its relevant benchmark and it is providing valuable insights for our researchers as they conduct manager due diligence. We are encouraging managers to be more explicit about how ESG considerations are incorporated into their investment processes and to provide all their investors with better portfolio transparency from an ESG perspective.

CLIG is a signatory to both the UN-supported Principles for Responsible Investment (PRI) and to the UK Stewardship Code. As part of this commitment to responsible investment, CLIG is required to seek appropriate disclosure on ESG issues by the closed-end funds in which we invest. Most managers, as signatories themselves to the PRI and UK Stewardship Code, should have a clear understanding of this commitment as we challenge them, both directly and via their closed-end fund boards, to raise their ESG transparency.

Our voting policy and our voting record is disclosed on our website. Our Annual Stewardship Report, which provides a convenient summary of our voting record and our engagement with closed-end fund boards, is also publicly available. More detailed information is available on our website about CLIG's own ESG credentials. This covers our commitment to conduct our business in an environmentally responsible manner, our responsibilities for the welfare and development of our employees, and the comprehensive policies that ensure our business is managed in accordance with the highest governance standards.

More information can be found at http://www.citlon.co.uk/esg-overview.php

Strategic report approved for and on behalf of the Board

Tom Griffith
Chief Executive Officer

12th September 2019

Should shareholders have any questions with regard to the content of this report, they are welcome to email us at investorrelations@citlon.co.uk, but we will obviously not be able to answer any questions of a price sensitive nature.

BOARD OF DIRECTORS

B. A. Aling NON-EXECUTIVE CHAIRMAN

Barry Aling has worked extensively in international equity markets over a 40-year period. Within the emerging market universe, Barry has held senior executive positions with W.I.Carr and Swiss Bank Corporation in Asia and the UK and more recently was a Director of Asset Management Investment Company plc, a listed investment trust specialising in the investment management industry and Gaffney Cline & Associates Limited, a leading petroleum consultancy, prior to its sale to Baker Hughes Inc. in 2007. Barry joined the Board in August 2013 and took over as Chairman in October 2018.

B. M. Olliff FOUNDER AND DIRECTOR

Barry Olliff 's career has spanned over 50 years within the investment trust (closed-end fund) sector. He began his career in 1964 with Denny Brothers, ultimately Pinchin Denny, as a market maker in the sector. In 1979 he moved to Laing & Cruickshank as a member of their investment trust department, and became a director in 1984. In 1987, he established Olliff & Partners, the stockbroker business from which City of London was founded in the early 1990's. Barry stepped down as CEO in March 2019.

T. W. Griffith CHIEF EXECUTIVE OFFICER

Tom was the Deputy Chief Executive Officer and COO of the Group before becoming the CEO in March 2019. Prior to joining City of London Group in 2000, Tom held various positions in the institutional client division of The Vanguard Group including roles as both a Client Relationship Manager and a Marketing Executive. In 1986 he obtained a bachelor's degree in Corporate Finance and Investment Management from the University of Alabama.

M. D. Dwyer CHIEF INVESTMENT OFFICER

Mark was the EM CEF CIO of the Group before becoming Group CIO in March 2019. He re-joined City of London in May 2012 and has over twenty years investment experience. Prior to re-joining the Group, Mark spent eight years with Banco Commercial Portuguese as a Director in the Asset Management department. Mark initially joined City of London in 1995 and was a Portfolio Manager based in the UK, followed by the US office. He established City of London's Singapore Office in 2000 where he spent two years. He holds a BA in economics and is a CFA Charterholder.

T. A. Rodrigues FINANCE DIRECTOR

Tracy Rodrigues joined the Group in 2000 and is based in the London office. Having managed the Finance department since 2006 she was promoted to Financial Controller in 2013 and appointed to the Board in October 2015. Tracy has more than 25 years' experience within the financial services industry having previously worked at CS First Boston (now Credit Suisse) as both a financial and product accountant. Tracy is a director of all Group subsidiaries.

S. E. Nicklin SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Susannah Nicklin is an investment and financial services professional with 20 years of experience in executive roles at Goldman Sachs and Alliance Bernstein in the US, Australia and the UK. She has also worked in the social impact private equity sector with Bridges Ventures, the Global Impact Investing Network, and Impact Ventures UK. Susannah is the Senior Independent Director of Pantheon International plc and a Non-Executive Director of Amati AIM VCT plc, Baronsmead Venture Trust plc and The North American Income Trust plc. Susannah joined the Board in July 2017 and took over as Senior Independent Director in October 2018.

P. E. Roth INDEPENDENT NON-EXECUTIVE DIRECTOR (APPOINTED 01.06.19)

Peter E. Roth has more than 35 years of experience in the financial services industry. During his career, he has held senior executive positions with Fox-Pitt, Kelton and Keefe, Bruyette & Woods. Peter currently serves as Managing Partner of Rothpoint Group LLC, a New York based consulting firm focusing on the financial services industry. He also serves as a trustee of the Guggenheim Credit Income Fund and is chairman of the audit committee and a member of the nominating and governance committee and independent trustee committee.

J. M. Stabile INDEPENDENT NON-EXECUTIVE DIRECTOR (APPOINTED 01.07.18)

Jane Stabile is the president and founder of IMP Partners LLC, a FinTech consulting firm founded in 2004 that counts four of the top ten global asset managers amongst their clients. In addition to managing IMP Partners LLC, Jane provides advisory services to clients making strategic decisions on the use of technology within their firms. Jane has over 30 years of experience in the financial services industry.

D. M. Cardale NON EXECUTIVE CHAIRMAN (RESIGNED 22.10.18)

David Cardale has worked extensively in both Corporate Finance and Private Equity. He has advised a number of fund management groups including Gartmore, Ivory & Sime and MIM, and ran the European operations of NatWest Equity Partners, now Bridgepoint. He has been a Director of two London listed Investment Trusts and is currently chairman of the supervisory board of the London based fund manager Hosking Partners LLP. David holds an MBA from INSEAD.

M. J. Driver INDEPENDENT NON-EXECUTIVE DIRECTOR (RESIGNED 30.06.19)

Mark Driver was a founding partner of the hedge fund management group Horseman Capital Management where, together with John Horseman, he managed the Horseman Global Fund. Prior to this, Mark had more than eleven years experience covering the Asian markets. He set up and managed the Asian Equity desk in London for Donaldson Lufkin and Jenrette. He has also worked in a specialist sales capacity in Hong Kong and London, covering the Asian markets for Société Générale (Crosby) and Merrill Lynch. He began his career at Fidelity Investment Management in 1985.

DIRECTORS' REPORT

Principal activity
City of London Investment Group PLC is the holding company for a number of subsidiaries. The principal operating subsidiary is City of London Investment Management Company Limited, which acts as an investment manager on 44 accounts (2018: 42 accounts) with a total of £4,250 million (2018: £3,866 million) under management as at 30th June 2019. Accounts may be commingled or segregated. City of London Investment Management Company Ltd has a subsidiary in Singapore and a branch in Dubai.

Going concern
The Directors' report should be read in conjunction with the Chairman's statement and the Strategic report on pages 2 to 35, which together provide a commentary on the operations of the Group and include factors likely to affect its future development as well as relevant key performance indicators and principal risks.

During the year to 30th June 2019 the Group had no external borrowings and is wholly funded by equity. Accordingly, the Directors are satisfied that the Group and Parent Company has adequate resources to meet its business needs for the foreseeable future, and the Financial Statements have therefore been prepared on the going concern basis.

Results and dividend
The results of the Group for the year to 30th June 2019, together with details of amounts transferred to reserves, are set out on pages 68, 70 and 71. The Company has paid dividends of £10,218,828 during the period (2018: £6,626,078). The final dividend for the year to 30th June 2019 of 18p per share (2018:18p) has been proposed, payable on 29th October 2019, subject to shareholder approval, to shareholders who are on the register of members on 11th October 2019.

Annual General Meeting
The Company's AGM will be held at 11.30am on Monday 21st October 2019 at 77 Gracechurch Street, London EC3V 0AS.

Directors
The names and biographical details of the current Directors of the Company are given on pages 36 and 37. The Directors' interests are set out in the Directors' Remuneration report.

Directors' indemnity arrangements
The Company maintains appropriate Directors' and Officers' insurance. The Directors also have the benefit of the indemnity provisions in the Company's Articles of Association. These provisions, which are qualifying third party indemnity provisions as defined by S236 of the Companies Act 2006 were in force throughout the year and are currently in force.

Own shares
The Company is, until the date of the next AGM, generally and unconditionally authorised to buy back up to 2,668,671 of its own ordinary shares of nominal value £0.01. In the year under review the Company purchased and cancelled 301,000 shares (2018: nil). The Company is seeking a renewal of this authority at the 2019 AGM.

The number of own shares purchased by the Company's Employee Benefit Trust during the year was 307,982 (2018: 227,742). The number of own shares held by the Trust as at 30th June 2019 was 908,348 (2018: 1,197,764), of which 630,750 shares (2018: 803,480) were subject to options in issue. The Trust has waived its entitlement to receive dividends in respect of the shares held.

The Trust also holds 624,200 shares (2018: 287,426) in custody for employees under the terms of the Employee Incentive Plan, see the Directors' Remuneration Report for further details of the plan.

Substantial shareholdings
At 31st July 2019, the Company had been notified of the following interests of 3% or more in the Company's ordinary shares:

Interested party	Number of shares	Percentage of issued shares
BlackRock Investment Management	2,671,624	10.1
Canaccord Genuity Group Inc	2,127,400	8.0
B M Olliff	2,025,186	7.6
The City of London Employee Benefit Trust	1,532,548	5.8
Eschaton Opportunities Fund Management LP	1,268,561	4.8
Polar Capital	1,100,000	4.1

There are no restrictions on the voting rights of shareholders.

Corporate governance

The UK Corporate Governance Code is publicly available on the Financial Reporting Council's website. A report on the Group's corporate governance and compliance with the provisions of the UK Corporate Governance Code is set out on pages 40 to 42.

Corporate responsibility

Details of the Group's employment practices and carbon emissions can be found in the Corporate and Social Responsibility section of the Strategic report on pages 31 to 35.

Auditors

The auditors for the financial year were RSM UK Audit LLP. Each of the persons who are Directors at the time when this report is approved has confirmed that:

(a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board

Tom Griffith
Chief Executive Officer

12th September 2019

CORPORATE GOVERNANCE REPORT

The Company considers itself a smaller company for the purposes of compliance with the UK Corporate Governance Code (the Code).

The Board is committed to high standards of corporate governance and considers that it has complied with the provisions of the Code throughout the year ended 30th June 2019, except in respect of a small number of provisions that the Board considers to be incompatible with the nature and size of the Company's operations, and these are described below.

Remuneration policy

The Company operates a bonus scheme for all employees, including the Executive Directors, that is linked to the Group's profitability, allocating a maximum of 30% of pre-bonus, pre-tax, operating profit for this purpose. In addition, in order to further align the interests of Executive Directors and shareholders, as well as to address the significant level of importance clients attach to employee share ownership, the Remuneration Committee implemented a new Employee Incentive Plan (EIP) in 2016. Details of the EIP can be found in the Directors' Remuneration Report.

Bonus awards are made by the Board following recommendations by the Remuneration Committee. Barry Olliff is entitled under his service agreement to a bonus equal to 5% of the pre-tax profits of the Company, and payment of this entitlement is covered by Mr Olliff's allocation from the 30% bonus pool. Executive Director bonus awards are subject to satisfactory annual appraisal and clawback may be applied in the event of misstatement or misleading representation of performance, a significant risk failure or serious misconduct of an individual. The bonuses are also subject to individual limits as noted in the Directors' Remuneration Report and are paid in cash and, subject to the Director's participation in the Group's EIP, in Restricted Share Awards (RSAs). Under the EIP, RSAs are granted following the end of the financial year to which the award relates and they vest one third each year over the next three years. The EIP is optional and requires the Director to waive up to 20% (or up to 30% if there is headroom within the cap agreed by shareholders) of their cash bonus in return for RSAs worth twice the amount waived.

The Board believes that its remuneration policy, although not fully compliant with section D.1.1 of the Code, aligns the interests of all stakeholders and has worked well in motivating staff at all levels within the Group, and that this is demonstrated by the high employee retention rates experienced by the Group. Please see the Directors' Remuneration Report for a more detailed discussion of the Group's Remuneration Policy.

The Group's main operating subsidiary, City of London Investment Management Company Ltd (CLIM), is subject to, and adheres with, the FCA's Remuneration Code. Being a BIPRU firm, CLIM is classified as a 'proportionality Level 3' firm. Proportionality Level 3 firms are considered to be the lowest category from a risk perspective and as such can disapply a number of the FCA's remuneration code requirements. Prior to doing so however, firms must first consider their individual circumstances and be satisfied that risks relating to remuneration are not unduly increased. The Group believes that its systems and processes relating to remuneration do not pose a risk to itself, the industry, or the regulator's objectives. In line with FCA guidance, and following its own assessment, CLIM has opted to disapply certain rules under the remuneration principles proportionality rule relating to deferral, payment in shares or other instruments and the ratio between fixed and variable remuneration.

The Employee Benefit Trust and share related awards

The IA Guidelines recommend that dilutive share awards should be limited to 5% of the Company's issued share capital over a rolling 10 year period. As of 30th June 2019 there were no dilutive awards in issue (2018: nil). The Group's Employee Incentive Plan (EIP) has been designed to use existing shares in issue.

In addition, the IA Guidelines recommend that no more than 5% of a Company's issued share capital be held in an Employee Benefit Trust (EBT) without prior approval by shareholders. The EBT currently has shareholder permission to hold up to 10% and the Company will be seeking to renew that permission at the next AGM. The EBT holds both deferred shares and matching shares.

The sole purpose of the EBT is to hold sufficient shares to satisfy employee share based awards. For further details of the Group's share award plans see the Directors' Remuneration report.

The EBT will abstain from voting on resolutions that concern a change of control in the Company.

Components of shareholding as at 30th June 2019.

	Number of shares	Percentage of issued shares
Vested options	630,750	2.4%
Available for EIP awards in October 2019	277,598	1.0%
	908,348	3.4%
EIP awards granted – shares held in custody	624,200	2.4%
Total shares held by the EBT	1,532,548	5.8%

The Board

Currently, the Board is composed of eight members, consisting of the Non-Executive Chairman, four Executive Directors and three Non-Executive Directors.

Jane Stabile joined as an independent Non-Executive Director, on 1st July 2018. Barry Aling took over as Chairman of the Board when David Cardale retired on 22nd October 2018. Peter Roth joined as an independent Non-Executive Director on 1st June 2019 and Mark Driver stepped down from the Board on 30th June 2019.

The UK Corporate Governance Code recommends that the Board should appoint one of its independent Non-Executive Directors as Senior Independent Director and Susannah Nicklin fills this role. The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chairman or Chief Executive have failed to resolve or for which such contact is inappropriate.

The Company's Articles of Association currently dictate that all Directors shall stand for annual re-election. This is a recommendation of the Code for FTSE 350 companies, but is something the Company has adopted nonetheless. Brief details of all the Directors may be found on pages 36 and 37.

The Code recommends that for FTSE 350 companies the Board should include a balance of Executive and Non-Executive Directors (and in particular independent Non-Executive Directors) such that no individual or small group of individuals can dominate the Board's decision making. Smaller entities i.e. those not in the FTSE 350, are required to have at least two independent Non-Executive Directors on the Board. The Company is included in the FTSE SmallCap Index and therefore complies with the Code in this respect.

The independence of Non-Executive Directors is considered at least annually and is based on criteria suggested in the Code. The composition of the Board and balance between Executive and Non-Executive Directors is kept under review.

At the time of his appointment as Chairman, Barry Aling met the independence criteria set out in the Code, as do the other three Non-Executive Directors.

The roles of Chairman and Chief Executive are separate and are set out in writing. The Non-Executive Chairman's role is to ensure good corporate governance. His responsibilities include leading the Board, ensuring the effectiveness of the Board in all aspects of its role, ensuring effective communication with shareholders, setting the Board's agenda and ensuring that all Directors are encouraged to participate fully in the activities and decision making process of the Board. The Chief Executive is responsible for the leadership and day-to-day management of the Company, which includes formulating and recommending the Group's strategy for Board approval and executing the approved strategy.

The Board reviews trading performance, ensures adequate financing, sets and monitors strategy, examines investment and acquisition opportunities and discusses reports to shareholders. There is a formal schedule of matters specifically reserved for the Board, which includes:

- Dividend policy
- Share buy-back policy
- Effectiveness of compliance
- Effectiveness of internal controls
- Annual budget
- Capital expenditure in excess of £100,000
- Board and committee appointments

The Company maintains appropriate Directors' and Officers' Liability Insurance.

Board performance evaluation

The Board has established a formal process, led by the Chairman and the Senior Independent Director, for the annual evaluation of the performance of the Board and its appointed committees. Individual performance evaluations are carried out for each Director to ensure that the Board, as a whole, and its committees are operating effectively and that each Director is contributing effectively and continues to demonstrate commitment to the role. The Senior Independent Director seeks input from the Directors with regard to appraisal of the Chairman.

Both the Chairman and the Senior Independent Director reported on the results of the annual evaluations at the July Board meeting. In conclusion, the performance of the Chairman and the Board as a whole continues to be effective and that each Director continues to demonstrate commitment to their roles.

Board diversity

There is a formal, rigorous and transparent process for the appointment of new Directors to the Board, led by the Nomination Committee. The Nomination Committee and the Board recognise that diversity in terms of gender, ethnicity and expertise are important elements to a responsible governance protocol and add value, but it does not consider setting targets as appropriate in this regard. While Board appointments are made on the basis of merit, every effort will be made to improve diversity when seeking new members.

Board training and induction

The Chairman ensures that new Directors receive a full, formal and tailored induction on joining the Board. This induction process includes meeting with the members of the Board and other senior executives, information from past meetings, a schedule of future meetings as well as a specific compliance briefing on the duties and obligations arising from the role of a director of a listed company.

Non-Executive Directors are also invited to attend the Group's annual strategy meeting which provides an opportunity to engage with employees at all levels, participate in Q&A sessions and generally acquire a more comprehensive / holistic view of the organisation.

Board Committees

The Board has established Nomination, Audit and Remuneration Committees, with formally delegated duties and responsibilities and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises. Each Committee and each Director has the authority to seek independent professional advice where necessary to discharge their duties, in each case at the Company's expense.

In addition, each Director and Committee has access to the advice of the Company Secretary, Philippa Keith.

The Board keeps the membership of its Committees under review to ensure gradual refreshing of skills and experience and is satisfied that all Directors have sufficient time to devote to their roles and that it is not placing undue reliance on key individuals.

A report from the chairman of each Committee follows this report.

Board and Committee attendance

The table below sets out the number of pre-scheduled meetings of the Board and its Committees and individual attendance by the Directors and Committee members respectively:

	Board	Nomination Committee	Remuneration Committee	Audit Committee
Total number of meetings between 1st July 2018 and 30th June 2019	6	2	4	3
Attendance:				
David Cardale – Chairman, resigned 22nd October 2018*	3	–	–	–
Barry Aling – Non-Executive and Chairman from 22nd October 2018*	6	–	2	1
Mark Driver – Non-Executive	6	2	4	3
Susannah Nicklin – Non-Executive	6	2	4	3
Jane Stabile – Non-Executive	6	2	4	3
Peter Roth – Non-Executive appointed 1st June 2019*	–	1	–	1
Mark Dwyer – Executive	6	–	–	–
Tom Griffith – Executive (CEO from 1st March 2019)	6	–	–	–
Barry Olliff – Executive (CEO to 1st March 2019)	6	–	–	–
Tracy Rodrigues – Executive	6	–	–	–

* The Director attended all scheduled meetings during their time on the Board/Committee

Although not committee members the Chairman and CEO accepted the invitation to attend the majority of the committee meetings during the year.

The Non-Executive Directors meet or confer as a group at least annually without the executives present.

Internal control and risk management

The Risk and Compliance Committee oversees the maintenance and development of the firm's risk and compliance frameworks (including financial crime) in adherence with the regulatory requirements. The Committee agrees, formulates and prioritises actions to address any areas of development or concern and reports to the Board on a quarterly basis.

The Group also has a robust financial controls framework designed to provide assurance that proper accounting records are adequately maintained and that information used within the business and for external publication is reliable and free from material misstatement. This includes segregation of duties, balance sheet reconciliations, and quarterly compliance checks on revenue recognition.

The Board reviews the effectiveness of the system of internal control annually and this process is subsequently evaluated by the Audit Committee.

The Board is also responsible for the Internal Capital Adequacy Assessment Process (ICAAP), a process required by the UK regulator, which summarises the risk management framework and regulatory capital requirements of the Group.

A detailed description of the risk management framework and the principal risks identified is set out on pages 25 to 27.

Shareholder relations

Engagement with shareholders is of paramount importance to the Group. The Directors, including on occasions the Senior Independent Non-Executive Director and the Chairman, endeavour to meet with large shareholders at least twice annually, generally following interim and final results announcements. Following these meetings, the Directors report back to the Board. All of the Directors aim to attend the Annual General Meeting either in person or by video-conference.

Rights of the shareholder

The Company is financed by 26,560,707 (2018: 26,861,707) £0.01 ordinary shares carrying one vote per share and a right to dividends.

Significant holdings

Details of significant holdings in the securities of the company can be found within the Directors report on page 38.

Barry Aling
Chairman

12th September 2019

NOMINATION COMMITTEE REPORT

We are pleased to present the report of the Nomination Committee for the financial year ended 30th June 2019.

The Committee has defined terms of reference which are published on the Company's website and reviewed annually.

The Committee is required to meet formally at least twice a year and otherwise as required. During the past financial year, the Committee met formally on four occasions (two of which were pre-scheduled meetings). We have also ensured that the Board conducted an effective Directors' performance appraisal process.

The Nomination Committee is responsible for the formal process of reviewing the balance, effectiveness and diversity of the Board and for ensuring appropriate succession planning, identifying the skills and expertise needed to meet the future challenges and opportunities facing the Company and those individuals who might best provide them.

We assess the time commitment required for each Board appointment and ensure that the present Directors also have sufficient time to undertake their duties.

In light of Barry Olliff's previously announced intention to retire on 31st December 2019, the Nomination Committee developed a succession plan to ensure a smooth leadership transition. As part of this process, the Nomination Committee conducted extensive meetings with the management of the Company and considered the criteria and process for appointing a successor to Mr Olliff. We carefully examined and weighed the merits of bringing in an external candidate over an internal candidate. We were impressed with the depth and quality of senior management across functions, and recognised the critical importance of continuity in approach as the Company enters this next stage of its history.

As a result of this exercise, Mr Tom Griffith, formerly Chief Operating Officer, was appointed Deputy CEO on 19th February 2018. On 1st March 2019, as anticipated, Mr Olliff formally retired as CEO and CIO, with Mr Griffith becoming our new CEO at that date. He brings extensive knowledge of the Company and our industry, the trust and respect of staff, and a work ethic second to none. We have every confidence that Mr Griffith will maintain the strong culture of team work, transparency and excellence engendered by Mr Olliff over the Company's first 27 years, and will continue to deliver outstanding returns for clients and shareholders.

The Nomination Committee has also focussed on the transition of Mr Olliff's CIO responsibilities. We evaluated the options for filling this important role, and were very pleased to recommend that the Board appoint Mark Dwyer to the role of Group CIO. His appointment was effective as of 1st March 2019, and Mr Dwyer also continues in his current capacity as CIO of Emerging Markets and as a Director of CLIG. He has many years of experience at the Company and in global investing; he brings seasoned judgement and the respect of colleagues, clients and peers. During his 14-year tenure at the Company, in addition to heading up the Emerging Markets investment team, he has also been actively involved in managing the London office and in the development of new products. Mr Dwyer is well placed to lead as Group CIO in this new chapter of growth, with diversification strategies gaining traction and performing well, while continuing to steward our core Emerging Markets offerings.

At the Annual General Meeting on 22nd October 2018, our former Chairman David Cardale retired and Barry Aling was formally appointed the next Chairman of the Company. Mr Aling has been a Non-Executive Director of the Company since 1st August 2013, and was Senior Independent Director since 1st July 2017. The Nomination Committee considered seeking an external Chair, but recommended that the Board appoint Mr Aling based on his deep understanding of the business and demonstrated commitment to the Company's ongoing success and development. We felt this was of particular importance during a period of transition within the executive leadership team.

During the year, one of our Non-Executive Directors, Mark Driver, announced his wish to retire in order to spend more time on his own growing company. The Committee continues to favour having an equal balance of Non-Executive and Executive Directors on the Board, with a majority of Non-Executives if there were to be an imbalance. Therefore, we undertook a search for a replacement Non-Executive Director and Audit Chair. As the Company operates in both the United States and the United Kingdom, with the client base and many key functions substantially located in the United States, we conducted an extensive external search and considered a field of extremely high quality candidates from both countries.

NOMINATION COMMITTEE REPORT

CONTINUED

We were delighted to recommend to the Board the appointment of Peter Roth as Non-Executive Director and Audit Chair, and the Board approved this effective as of 1st June and 1st July 2019 respectively. Mr Roth is based in the United States and contributes extensive corporate finance, governance and entrepreneurial expertise to the Board. He has worked with US institutional investors, has experience as an Audit Chair of an SEC-regulated fund, and brings helpful perspectives from three decades building financial services companies and providing capital markets advisory services.

We would like to take this opportunity to thank Mr Driver for his excellent service to the Company and his collegiate, conscientious contributions to the Board, and we wish him well.

The Nomination Committee also considers and reviews the appointment of a Senior Independent Director, membership of the Board Committees, and the re-appointment of those Directors standing for re-election at AGMs.

As a result of Mr Aling moving into the role of Chair from the date of the AGM, the Nomination Committee recommended that Susannah Nicklin be appointed as Senior Independent Director as of 22nd October 2018. We have also reviewed the composition of the Board Committees and, in light of Mr Roth's appointment to replace Mr Driver as Audit Chair, are pleased to confirm the following committee chairs:

Audit: Peter E. Roth
Remuneration: Jane Stabile
Nomination: Susannah Nicklin

After a discussion of the merits of the Directors, the Committee also recommended that the following individuals be proposed for re-election to the Board:

Barry Aling
Mark Dwyer
Tom Griffith
Susannah Nicklin
Barry Olliff
Tracy Rodrigues
Jane Stabile

As Peter Roth's Board appointment was effective 1st June 2019, he has yet to receive shareholder approval, therefore he will also stand for re-appointment at the AGM in October.

Susannah Nicklin
Chair of the Nomination Committee

12th September 2019

AUDIT COMMITTEE REPORT

We are pleased to present the report on the activities of the Audit Committee (AC) for the year ending 30th June 2019 for the City of London Investment Group plc.

Terms of reference

The purpose of the AC is to assist the Board in ensuring that the Group's financial statements and related shareholder communications provide a detailed, balanced and accurate view of financial performance and condition within a prudent control environment. The Committee's Terms of Reference are reviewed annually by the Board to ensure full compliance with the UK Corporate Governance Code (Code) and are available for perusal on the Group website: www.citlon.co.uk/investor-relations/investor-reports/AC_TOR.pdf.

The AC's key responsibilities include:

- Monitoring the financial statements, formal public disclosures, reporting issues and judgements contained therein as well as any matters communicated to it by the external auditor, to ensure that they conform to the Group's accounting policies and accurately reflect financial condition;
- Assessing the Group's liquidity position to ensure that adequate capital resources are available to meet its obligations;
- Reviewing the internal procedures in place to measure and control risk, paying particular attention to the detection of fraud, bribery, money-laundering and cybersecurity, as well as policies to mitigate such risks to the maximum extent possible;
- Review on a regular basis, and at least once annually, the Group's policy with regard to an internal audit function;
- Ensuring that adequate whistle-blowing protocols are in place and communicated to all employees, so that they may raise any issues of impropriety in confidence, in order that remedial action can be taken in a timely fashion;
- Making recommendations to the Board concerning the appointment of an external auditor, including the remuneration and terms of engagement;
- Ensuring that the external auditor remains effective and that the ongoing relationship meets the requirement of independence and objectivity;
- Reviewing the outcome of the external audit, paying particular attention to any major issues or errors identified in the process; and
- Compliance with the Code, Listing rules and any other regulatory requirements applicable to the Group.

Membership

In accordance with the Code, the Committee is comprised of at least three independent Non-Executive Directors:

- Mark Driver was appointed to the Committee on 1st July 2016 and served as Chair from 22nd October 2018 until 30th June 2019 when he resigned from the Board and Committee for personal and professional reasons;
- Susannah Nicklin has served on the Committee for two years;
- Jane Stabile joined the Committee on 1st July 2018; and
- Peter E. Roth was appointed to the Committee on 1st June 2019 and was appointed Chair of the Audit Committee on 1st July 2019.

Mr Roth was appointed to the Board as a Non-Executive Director on 1st June 2019 and has experience serving on audit committees in the financial services industry and therefore satisfies the Code's requirement that at least one member of the Committee should have recent and relevant financial experience. All members of the Committee have extensive and relevant knowledge of the asset management industry and analytical tools used in the appraisal of company reports and accounts.

Meetings and activities

In accordance with the Terms of Reference, the Audit Committee held meetings three times during the year and as is normal practice the Chairman, Chief Executive Officer, Finance Director and Head of Compliance were also in attendance. The external auditors RSM UK Audit LLP (RSM) attended two of these meetings and met with the Audit Committee, in the absence of any Executive Directors on two occasions, in September 2018 and June 2019. In addition, regular contact was maintained between the AC and the Finance Director and Head of Compliance, the latter provided a review of risks and control issues at each meeting.

The attendance of Committee members at the AC meetings in the last financial year was as below:

Mark Driver	3/3
Susannah Nicklin	3/3
Jane Stabile	3/3
Peter E. Roth	1/1

At the first meeting of the financial year in September 2018, the Committee reviewed the ISA 260 audit findings report for the previous financial year ending 30th June 2018. RSM, after an extensive audit of the accounting records and working practices, found nothing to report. Tax advice provided by the Group's external independent advisors was discussed and this advice was reflected in the accounts. Discussions were held with the auditors in the absence of the Finance Director. The Head of Compliance reported on the breaches and errors report and the Committee was content that a robust and open system of reporting exists within the firm.

The second meeting of the Audit Committee was held in February 2019 with a primary focus on reviewing any significant changes in accounting practices, policies, estimates and assumptions for the current financial year along with a discussion of the interim results. Following the recent refurbishment of the London office, depreciation terms were discussed and new terms adopted that better reflect the actual useful life of office furniture, fixtures and fittings. In addition, two new standards IFRS 9 and 15 were adopted and detailed in these accounts. These reflect the valuations of investments made by the Group, but the effect of these changes are de minimis. Discussions were held regarding the seed investments the Group made in the new REIT funds and the treatment of investment gains and losses going forward. There were also small changes made to the Terms of Reference to allow the Chief Executive Officer to be added to the group of invitees. Finally, discussions took place regarding the need for an internal audit function. Given the relative size and nature of the business, the fact that the Group does not hold or have access to client monies, and that executives are very close to the day to day business, it was agreed that this was not necessary and the recent appointment of a new independent external auditor should give the Group comfort that the accounts are a true and fair reflection of the Group's affairs.

At the June 2019 meeting, RSM presented their draft audit plan. Risk control mechanisms were discussed and the Head of Compliance outlined the risk report and minor breaches. Brexit risks were also discussed and the regulatory risks are constantly under review. As a matter of routine, the Head of Compliance provided the Committee with a summary of the procedures in place for cybersecurity, whistleblowing and personal share dealing by Non-Executive Directors, all of which were duly noted.

Subsequent to the June meeting and as reported earlier, Mark Driver resigned as Committee Chair and his position was assumed by Peter E. Roth, effective 1st July 2019.

Financial Statements and accounting matters

In accordance with the Code, the AC reviews all financial statements prior to their discussion and approval by the Board and in light of their conformity with the appropriate accounting standards. As part of that review and confirmation that the policies set out in note 3 of the financial statements on pages 75 to 77 are appropriate, the Committee consulted with RSM in their role as external auditors. Also detailed in note 3 are the accounting estimates and assumptions, the most important of which relate to the calculation of share-based payment charges under the Group's Employee Share Option Scheme and the Employee Incentive Plan. The Committee has sought and received confirmation from RSM throughout the audit process that such charges are reflected appropriately in the statements. Further details regarding such charges and the assumptions used can be found on pages 91 and 92.

The Committee is responsible for evaluating the carrying values of intangible assets, any charges for impairments and other charges that arise in respect of timing differences and it is satisfied that these have been satisfactorily reflected in this year's accounts or are immaterial in scale.

Risk management review

The Group's asset management activities are conducted on an agency basis with no direct control over client assets, which are held independently by third-party custodians. Similarly, management fees are accrued monthly based on data which is provided by third-party custodians and reconciled to the Group's own records. The Group has no performance-related fee income. Accordingly, the process of revenue recognition incorporates significant independent input and negligible scope for misstatement. Costs are tightly controlled and relatively predictable with variances to forward budgets analysed and reported monthly. Since the Group has no debts and only immaterial levels of intangible assets, the scope for misstatement of the statement of financial position is very limited and as noted above, no variances have been identified in the current year.

The Group maintains a Risk Register which is under constant review by Executive Directors in conjunction with the Risk Committee and the compliance and control team to identify any areas where there are perceived to be risk exposures. As an asset management business, the Group's financial performance is inevitably related to the quality of the investment team and their performance as managers. Beyond these "front-office" roles however, there are a number of functions which constitute key areas of commercial risk and which are identified in the Risk Register. The wide spectrum of investment mandates managed on behalf of the Group's clients mean that great care is needed to ensure that no breaches occur and that all aspects of client confidentiality are strictly maintained.

The monitoring of the controls necessary to comply with these mandates represents the core function of the compliance and control team, led by the Head of Compliance, who has extensive experience in the asset management industry and who attends AC meetings as a matter of course. All incidents require a "Breach and Error" report and the Group's policy is to ensure that no client, investor or fund is financially disadvantaged by any incident for which the Group is responsible.

The Committee reviews reports and all areas of risk identified in the Risk Register in order to measure any potential impact on the Group's financial statements. As noted above, particular attention is paid to the issue of compliance with investment mandates and any breaches or errors relating to these are reviewed at each meeting. Potential risks from system or hardware failure are also highlighted in the Risk Register and appropriate disaster recovery procedures are in place to ensure that there are no interruptions to full functionality across all five offices. In addition, increasing focus is required to monitor the Group's cyber-security protocols to ensure that vulnerability is minimised absolutely and to this end, all employees and Board members are required to undergo training to prevent or identify potential cyber threats as they arise.

For the year ending 30th June 2019, the Committee is satisfied that the Risk Register has been appropriately amended and maintained and that the training procedures in place adequately reflect such amendments and the remedies applied.

Non-audit services

Consistent with an overriding need to ensure independence and objectivity, the Committee exercises great care to minimise the use of the external auditor for non-audit services, following a policy of using third-party advisers wherever possible. While there may be occasions when it is either necessary or practicable to use the external auditor for non-audit services alongside the annual audit, no such services have been required in the current year ending 30th June 2019.

External auditor

In order to comply with the revised European Audit requirements introduced in 2016 concerning auditor rotation, RSM were appointed as the external auditor to the Group and each of its subsidiaries for the year ending 30th June 2018 and the current year ending 30th June 2019. The Board and Audit Committee are recommending that they are retained as external auditors for the year ending 30th June 2020.

Peter E. Roth
Chair of the Audit Committee

12th September 2019

DIRECTORS' REMUNERATION REPORT

CHAIR OF THE REMUNERATION COMMITTEE'S ANNUAL STATEMENT

I am pleased to present the Directors' Remuneration Report for the year to 30th June 2019. This report sets out all aspects of remuneration in respect of the Company's Directors and has been divided into the following sections:

- The annual report on remuneration, which provides details on remuneration for the year to June 2019; and
- The Directors' remuneration policy which will be subject to a binding shareholder vote at the 2019 AGM and every three years thereafter.

Terms of reference

The Remuneration Committee, comprised solely of Non-Executive Directors, approves and oversees the Group's remuneration policies. The Remuneration Committee has responsibility for setting the remuneration policy for all executive directors and the Company's chairman including pension rights and any compensation payments. In addition, the Committee has responsibility for approving the salaries and bonuses for any employee earning over GBP 100,000, all Code Staff (employees whose professional activities have a material impact on the Group's risk profile) and, for reasons of managing potential conflicts of interest, the Head of Compliance. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the Non-Executive Directors within the limits currently set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration.

The Group's Remuneration Policy was reviewed in 2017. It articulates the Group's remuneration practices, how the Group adheres to regulatory requirements, and the remuneration hierarchy responsibilities within the Group. It also explains why the policy is appropriate to the size and investment focus of the Firm and promotes sound and effective risk management.

The Committee's full terms of reference is available on our website, www.citlon.co.uk

Investor and proxy services feedback from 2018

As this was my first year serving as Chair of the Remuneration Committee, I have spent time learning the details of City of London Investment Group's (CLIG) policies, why they have been implemented and the impact that they have had on the Group. In this report, I share the results of my examination of those policies in keeping with our commitment to providing a high level of transparency. I encourage investors and proxy service professionals to share their thoughts on how we are doing and would welcome any in-person meetings with myself and the Committee.

Last year we received feedback from both the proxy services and our investors regarding the current Remuneration Policy at CLIG. After some constructive meetings with investors and taking into account recent market sentiment, the Remuneration Committee worked in concert with CLIG Executive Directors to enact specific changes. A brief summary of those issues and our proposed changes follows.

Issues raised last year

Compliance

The Group's Remuneration Policy has been formulated to comply with the FCA Remuneration Code within SYSC 19B, incorporating the European Securities and Markets Authority (ESMA) guidelines for sound remuneration policies for Alternative Investment Fund Managers (AIFM), recognising that its wholly owned subsidiary, City of London Investment Management Company Ltd (CLIM), is a full scope AIFM.

The UK Corporate Governance Code (UKGC) is cited as "best practice"and works on a "comply or explain" protocol. The Group's Directors' Remuneration Policy is detailed on pages 58 to 60.

Issue of bonus percentages/proportionality

In prior years, the proxy services remarked on the proportionality of bonus payments as compared to base salaries. In recent years, regulators have sought to cap bonuses for larger asset management firms, with the result that salaries in the industry have risen substantially, particularly for Code Staff. CLIG has resisted this trend and has continued to hold base salaries comparatively low whilst maintaining a high percentage of variable compensation.

Proposed Bonus Cap for Executive Directors

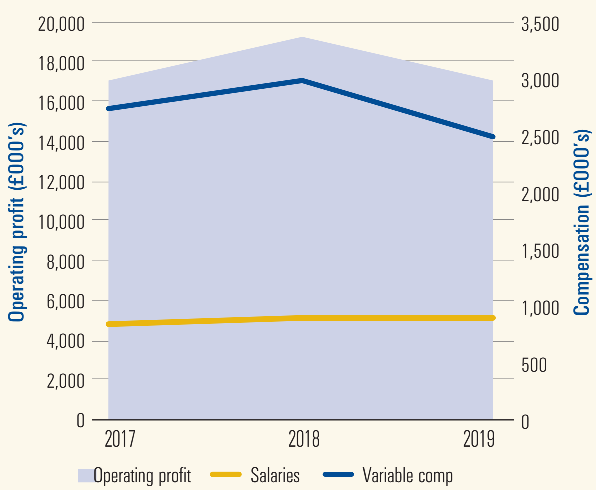
However, in response to feedback from our stakeholders, we are proposing an amendment to our policy to institute a bonus cap of 250% of salary for Executive Directors only.

Other Staff

We believe that maintaining our ability to maintain a significant variable portion of compensation for all other staff helps us achieve three, key goals of the Group:

- **It supports employment stability for our staff,** even in times of difficult market conditions. While the Group has diversified its product base with new funds, we still have a substantial exposure to emerging markets and their volatility. When markets are particularly challenging, the importance of retaining experienced staff becomes more – not less – important. Experienced staff have higher rates of operational accuracy and teams who have worked together for long periods of time support each other better. Our goal, therefore, is to attract and retain employees for whom longer-term employment is valued over short-term reward. We have been very successful in doing that, as the employee longevity chart shows on page 24.

Relationship of total compensation to operating profit



- **Total compensation adjusts with Group profitability:** Since it is very disruptive to lower base salaries in keeping with lowered profitability, most firms respond by making employees redundant. When staff are let go in response to a downturn, it can create considerable stress on remaining employees and impact performance of the Group. Maintaining a high ratio of variable pay for all staff, but in particular for Directors, underscores the message that we are a team and no one should expect to be rewarded when the Group underperforms. Instead, variable pay can be adjusted in line with profitability as demonstrated in this chart.

- **All staff benefit in profitable times:** On balance, when markets are good, employees should and do share in the increased profits of the Group. We accomplish this through the bonus plan. Ingrained in our culture is the acknowledgement that all employees contribute to the success of the Group. The portfolio manager may have made the right decision on the investment, but he/she was able to do so because the data was correct, the systems were running properly, compliance applied the correct constraints, etc. In acknowledging the team effort involved in everything we accomplish, we avoid the corrosive "rock star" mentality that is at the root of so many high-profile market scandals.

Compensation and performance

Stakeholders requested more transparency on the relationship between performance and compensation. Typically, bonus payouts are backward-looking, compensating employees only after the final numbers are in. At investment firms that engage in hedging strategies and leveraged trades this makes sense, as the true results of a strategy may not manifest until the market moves against it.

In contrast, the Group's cash flow is based solely on fee income, which is pegged to Funds under Management (FuM) realised on a monthly/quarterly basis. Since the Group does not trade its own book of securities nor leverage positions, FuM (and therefore fee income) is not subject to revision after it has been booked.

The amount of the bonus pool, based on 30% of pre-bonus/EIP operating profit for 2018/2019 is £5.1 million (pre-payroll related taxes).

Performance evaluations: CLIG employees have evaluation meetings on an annual basis. However, the Group maintains an open atmosphere – both in terms of an open floor plan without offices and constant communication and feedback. Goals are adjusted to meet the changing needs of the business; team members are cross-trained on functions outside of their own groups and encouraged, supported and rewarded for taking on new responsibilities.

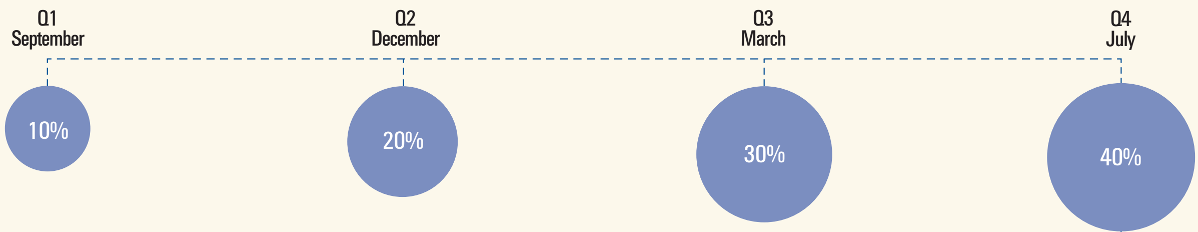
Timing of payouts: Rather than carrying the bonus liability throughout the year and paying it in one lump sum, we pay out bonuses on a quarterly basis. This allows us to adjust bonus allocations as actual, booked profits are known. It also allows bonus payouts to be synched with performance, rather than reviewing performance at the end of the year, when the impact of earlier problems or accomplishments may have faded with time.

Too often, firms evaluate employees on the last quarter or month, right before bonus time. As evidenced by the March turnover rates in the US, many employees who feel unappreciated may let their performance slip while they simply mark time until the end-of-year bonuses are paid in March and then depart. In contrast, CLIG's turnover rates remain low throughout the year. Real-time feedback means employees know where they stand and what their managers expect.

Salary increases and bonuses for 2018/2019 fiscal year: The Remuneration Committee has reviewed the compensation levels for Mr Griffith and Mr Dwyer in light of their promotions this year to CEO and CIO, respectively. Given the increased responsibilities and demands of their new roles, and in view of compensation levels for comparable CEO and CIO positions, the Committee was minded to recommend an increase in base salary for both. However, they have asked the Board to delay consideration of an increase until next year,

CHAIR OF THE REMUNERATION COMMITTEE'S ANNUAL STATEMENT CONTINUED

Bonus payment schedule – fiscal year 1st July 2019 – 30th June 2020



Fee income is received on both a monthly and quarterly basis.

Bonus Payments during the year are based on **quarterly profit forecasts**. The fourth and largest payment is made once the final results are known. Percentage splits are therefore **approximate**.

For Executive Directors, 10% of this payment is deferred until September

once they have had more time in the roles. We think this is noteworthy and demonstrates their commitment to serving our shareholders. We intend to revisit this in 2020 and will benchmark their remuneration levels in order to ensure our CEO and CIO compensation packages properly reward their efforts, align with shareholder interests, and remain fair and competitive.

Directors' bonus limits as a percentage of operating profit are as follows:

Executive Director	Bonus entitlement limit as % of operating profit	2019 bonus as % of operating profit
B Olliff	5%	3.7%
T Griffith	2.5%	2.2%
M Dwyer	2.5%	2.0%
T Rodrigues	2.5%	1.5%

Introduction of Executive Directors' Fees

We are making a change to carve out a separate Directors' Fee for Executive Directors, which would be directly attributable to their UK directorship and governance duties and therefore equivalent to the Non-Executive Directors' base fee. Salaries for Executive Directors will be reduced by the amount of the Directors' fee. This restructuring will assist non-UK resident directors in complying with their UK income tax obligations.

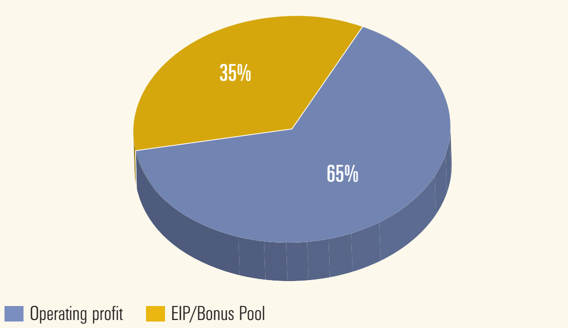
The introduction of Directors' fees for Executive Directors will necessitate an increase in the current cap which we are proposing to increase from £250,000 to £450,000.

Employee Incentive Plan (EIP) – Restricted Share Awards (RSAs)

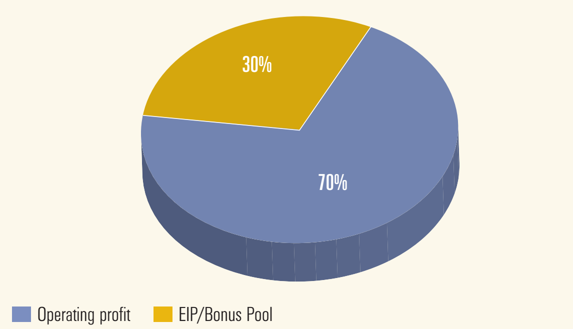
Explanation of the Plan: Generally, the bonus plan is capped at 30% of profits. In order to encourage stock ownership, the prior share option plan was replaced in 2016 with the current EIP. To ensure sufficient funding, we obtained shareholder approval to offer an additional 5% of funding from profits for the EIP, until 2020.

Employee ownership: When employees are owners, they become aligned with shareholders. The prior scheme disadvantaged employee shareholders because they did not participate in dividends and participation consequently did not achieve the goal of substantial employee stock ownership. The current EIP accrues a dividend equivalent, and has been widely accepted by the employee base.

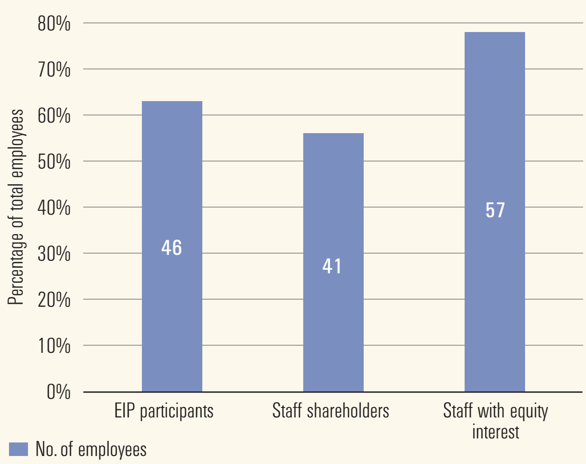
Allocation of profits until 2020



Allocation of profits, long-term



Current levels of equity interest



The Group offers a match to employees who waive a portion of their bonus to purchase shares. It should be noted that the shares for the EIP are not new issuance. Rather, share purchases are done in the open market so they do not have a dilutive effect on the current shareholders. Details are as follows:

- Employees can waive 20% of their cash bonus to purchase shares, with an additional 10% waiver if there is headroom within the 5% cap approved by shareholders.

- Shares purchased by the employee via the deferral are matched 1:1 by CLIG.

- The EIP awards are subject to a vesting period of three years, with 1/3 vesting per year for all employees and Directors.

Vesting periods for Executive Directors increased: Shareholders expressed a desire to see that period extended for Executive Directors. In response, we are now proposing the following change: For Executive Directors, RSAs will now be subject to a 5 year vesting period, with 20% of the shares vesting each year.

Executive Directors share ownership: To ensure we maintain a high degree of alignment between Executive Directors and Shareholders' interests, we are proposing a target for Executive Directors to achieve an equity interest in CLIG of at least 200% of salary, to be achieved within five years of being confirmed as an Executive Director.

Clawback: The Group operates a clawback policy which is outlined on page 60.

KPIs and appraisals of Directors: As reported last year, CLIG has a firm KPI. That KPI measures the performance of the Group's share price in absolute terms and relative to M1EF, in comparison to the M1EF Index, as shown on page 20. The proxy advisors, in particular, objected to the lack of individual KPIs. On this issue, we feel we must stand firm, in our belief that individual KPIs pit employees against one another and can actually encourage unwarranted risk taking. That said, stakeholders asked for more transparency on the appraisal process itself, which we are happy to provide.

Appraisal process: Directors complete a detailed self-appraisal, reviewing their performance versus the goals. They are asked to provide qualitative details, prompted by a series of questions that focus on accomplishments, challenges and accompanying resolutions and forward-looking priorities.

In larger firms, quantitative measurements are favoured over qualitative for the simple reason that they make for a faster appraisal process. Whilst checking off a box – i.e. did the manager complete said goal, yes or no – is certainly an easier measure than reviewing goals and solutions in depth and in context, it is blunt and often rewards unintended behaviour. Businesses are dynamic, and senior managers must not operate in a vacuum. Rather, they are relied upon to adjust to market and competitive conditions, constantly evaluating the most effective way forward within the constraints of appropriate risk controls. That is the way all of the Group's employees are evaluated, and we believe our track record demonstrates that it is the best way to serve the interests of the Group and our shareholders.

Jane Stabile
Chair of the Remuneration Committee

12th September 2019

ANNUAL REPORT ON REMUNERATION

The information provided in this part of the Directors' Remuneration Report is subject to audit and summarises the remuneration awarded to Directors during the financial period under review.

The Directors' remuneration policy as summarised in the Policy table on pages 59 to 60 will govern future remuneration to be awarded to Directors.

Single total figure of remuneration for each Director

2018/2019	Fees/salary £	Profit-share £	Waived profit-share £	*EIP share awards £	**Dividend equivalent EIP vesting £	Pension £	Taxable benefits £	Total 2018/2019 £
Non-executive								
D Cardale	17,702	–	–	–	–	–	–	17,702
B Aling	53,487	–	–	–	–	–	–	53,487
M Driver	42,500	–	–	–	–	–	–	42,500
S Nicklin	45,987	–	–	–	–	–	–	45,987
J Stabile	39,474	–	–	–	–	–	3,597	43,071
P Roth	2,917	–	–	–	–	–	844	3,761
	202,067	–	–	–	–	–	4,441	206,508
Executive								
Barry Olliff	278,257	625,983	–	–	–	34,782	2,809	941,831
T W Griffith	228,790	372,499	(56,652)	113,304	3,920	28,599	4,945	695,405
M D Dwyer	209,000	341,100	(51,165)	102,330	3,900	26,125	3,594	634,884
T A Rodrigues	180,000	259,000	(38,850)	77,700	2,266	22,500	1,664	504,280
	896,047	1,598,582	(146,667)	293,334	10,086	112,006	13,012	2,776,400
Total	1,098,114	1,598,582	(146,667)	293,334	10,086	112,006	17,453	2,982,908

2017/2018 (restated)***	Fees/salary £	Profit-share £	Waived profit-share £	*EIP share awards £	**Dividend equivalent EIP vesting £	Pension £	Taxable benefits £	Total 2017/2018 £
Non-executive								
D Cardale	50,000	–	–	–	–	–	–	50,000
B Aling	45,000	–	–	–	–	–	–	45,000
M Driver	40,000	–	–	–	–	–	–	40,000
S Nicklin	40,000	–	–	–	–	–	–	40,000
	175,000	–	–	–	–	–	–	175,000
Executive								
Barry Olliff	267,258	804,449	–	–	–	33,407	3,532	1,108,646
T W Griffith	217,476	478,719	(147,195)	294,390	–	27,185	4,388	874,963
M D Dwyer	209,000	461,000	(138,300)	276,600	–	26,125	4,104	838,529
T A Rodrigues	150,500	350,000	(70,000)	140,000	–	18,813	1,870	591,183
	844,234	2,094,168	(355,495)	710,990	–	105,530	13,894	3,413,321
Total	1,019,234	2,094,168	(355,495)	710,990	–	105,530	13,894	3,588,321

* The EIP share awards relate to the current year's waived bonus which is matched by the Company. The combined amount is the value of the awards which will be awarded in October following the year end. For non-UK Directors the value is subject to movement as a result of currency translation.

** Unvested EIP awards accrue a cash equivalent of the dividend's declared during the vesting period and are paid when the shares vest.

*** In prior years this table included the EIP awards granted during the year. The disclosure has been modified this year to better reflect the remuneration in respect of the financial year. Therefore, instead of including the EIP awards granted, it includes EIP awards that will be made in the following October that relate to the current financial year. The 2017/18 table has been re-stated. No EIP awards vested in the year to 30th June 2018 so no dividend equivalents were paid.

Non-Executive Director fees

The Non-Executive Directors' fees were revised with effect from 1st January 2019. The following fee structure is applicable as at 30th June:

	2019 £	2018 £
Base fee for services as a Non-Executive Director	35,000	30,000
Supplemental fee for services as Chairman	25,000	20,000
Supplemental fee for services as Chairman of a Committee	10,000	10,000
Supplemental fee for services as Senior Independent Director	5,000	5,000

Executive Directors' salary

The Executive Directors all voluntarily elected not to receive any pay rise during the year.

The year on year comparison of salaries in the single total figure table reflects movements which have arisen as follows:

1. B M Olliff, former CEO – His salary is paid in US dollars and reported in sterling. The difference is due to a stronger US dollar to the pound this year compared with last year.
2. T W Griffith, CEO – His salary is paid in US dollars and reported in sterling. The difference is due in part to a stronger US dollar to the pound this year as compared to last year. In addition, he received a salary increase on 1st January 2018, therefore his salary reflects 12 months at the increased salary this year compared with only 6 months last year.
3. M D Dwyer, CIO – no change.
4. T A Rodrigues, Finance Director – The difference is due to a pay rise awarded on 1st January 2018, therefore her salary reflects 12 months at the increased salary this year compared with only 6 months last year.

Profit-share

The Company operates a bonus scheme for all employees, including the Executive Directors that is linked to the Group's profitability. We have allocated a maximum bonus of 30% of the pre-bonus, pre-tax, operating profit for this purpose. Such allocation may be reduced infrequently as a result of an assessment of the projected intermediate term financial performance of the Company, and consistent with our fundamental objective of an appropriate balance of the interests among all stakeholders: clients, shareholders, employees and management. Bonus awards are made by the Board following recommendations by the Remuneration Committee.

Barry Olliff is entitled under his service agreement to a bonus equal to 5% of the pre-tax profits of the Company, and payment of this entitlement is covered by Mr. Olliff's allocation from the maximum 30% bonus pool. Barry Olliff received 3.7% for the period under review (2018: 4.2%). The 3.7% of pre-tax profits for the period under review was the result of a voluntary agreement between Barry Olliff and the Remuneration Committee to give priority consideration to other stakeholders.

Deferred profit-share payments

The following amounts have been deferred and will be paid once the financial statements have been audited and approved.

	2019		2018	
	£	% of annual award	£	% of annual award
B M Olliff	26,422	4%	32,748	4%
T W Griffith	15,733	4%	19,565	4%
M D Dwyer	14,187	4%	17,860	4%
T A Rodrigues	10,780	4%	13,590	4%

These amounts are included in the profit-share reported in the table on page 52.

Summary of Employee Incentive Plan (EIP) interests

The EIP was approved by shareholders at the October 2016 AGM and adopted by the Group in December. It is open to employees of all Group companies, including Executive Directors. Participants are invited to waive up to 20% (or up to 30% if there is headroom within the cap agreed by shareholders) of their annual bonus in return for the right to participate in the EIP for the relevant financial year. Under the EIP, they are granted Restricted Share Awards (RSAs) over shares in the Company equal in value to two times the amount they have waived.

Due to the shareholder approved cap of 5% of pre-bonus, pre-tax operating profit, and the high level of employee elections, participation had to be scaled back this year across the Group. In order to encourage maximum employee participation, and ownership of CLIG shares, the Directors elected to reduce their participation so that employees were not scaled down below 20%.

The RSAs in respect of the waived profit-share disclosed in the Directors' remuneration table on page 52 will be granted in October 2019. The number of shares is calculated based on the average share price over the 10 days preceding the grant date.

The RSAs vest one-third each year over a three year period and accrue an amount equal to the dividend that the Director would have received had they owned the shares from the date of grant. The dividend equivalent paid during the year is disclosed in the remuneration table on page 52.

The RSAs are subject to forfeiture upon termination. For further details see the Policy table on pages 59 to 60.

EIP Share awards

Director	Date of Award	Awards held 2018	Awarded during the year	Vested during the year	Awards held 2019	Mkt price on date of award £	Mkt price on date of vesting £	Vesting period* From	Vesting period* To
T W Griffith	26/10/2017	43,554	–	(14,518)	29,036	4.0731	3.72	26/10/2017	26/10/2020
	26/10/2018	–	76,492	–	76,492	3.8730	–	26/10/2018	26/10/2021
		43,554	76,492	(14,518)	105,528				
M Dwyer	26/10/2017	43,338	–	(14,446)	28,892	4.0731	3.72	26/10/2017	26/10/2020
	26/10/2018	–	71,418	–	71,418	3.8730	–	26/10/2018	26/10/2021
		43,338	71,418	(14,446)	100,310				
T A Rodrigues	26/10/2017	25,180	–	(8,393)	16,787	4.0731	3.72	26/10/2017	26/10/2020
	26/10/2018	–	36,148	–	36,148	3.8730	–	26/10/2018	26/10/2021
		25,180	36,148	(8,393)	52,935				

*One-third of the shares vest on the anniversary of the award date, over a three year vesting period.

Pension

All employees, including Executive Directors, are entitled to membership of the Group's defined contribution pension arrangements. Contributions are capped at 12.5% of annual salary. Employer contributions in respect of all Executive Directors were 12.5% for the period under review.

Taxable benefits

Taxable benefits relate to private medical insurance for Executive Directors and their dependants. It should be noted that although the Group offers private medical insurance to all staff it is not considered a taxable benefit for those resident in the US.

Taxable benefits for Non-Executive Directors relate to reimbursed accommodation expenses whilst attending UK Board and Committee meetings. The amounts shown are grossed up as the Group accounts for the tax due on these benefits.

Payments to past Directors

No payment or transfer of assets was made during the financial period to any past Director of the Company.

Payments for loss of office

There were no termination payments made to any person who has served as a Director during the financial period.

Summary of share option plan interests

The Company operates an Employee Share Option Plan which is administered by the Remuneration Committee. The Plan is open to employees of all Group companies and Executive Directors (who are required to work more than 25 hours per week provided they do not have a material interest in the Company, that is to say the ability to control more than 25% of the ordinary share capital). Options were last granted to Executive Directors under the Plan in June 2015 and it is not intended that any new options will be granted in the future due to the introduction of the EIP.

	Number of options									
	Held 2018	Exercised during the period	Granted during the period	Held 2019	Exercise price £	Price at grant £	Face value at grant £	Vesting period	Vesting date	Expiry date
T W Griffith	8,000	(8,000)	–	–	2.3	2.3	–	3 yrs	05/06/2012	05/06/2019
	12,500	–	–	12,500	3.14	3.14	39,250	3 yrs	18/01/2013	18/01/2020
	7,500	–	–	7,500	3.625	3.625	27,188	3 yrs	13/10/2013	13/10/2020
	5,000	–	–	5,000	4.03	4.03	20,150	3 yrs	05/04/2014	05/04/2021
	6,000	–	–	6,000	3.4875	3.4875	20,925	3 yrs	04/11/2014	04/11/2021
	17,000	–	–	17,000	2.55	2.5	42,500	3 yrs	30/01/2017	30/01/2024
	23,500	–	–	23,500	3.52	3.52	82,720	3 yrs	19/06/2018	19/06/2025
Total	79,500	(8,000)	–	71,500						
M Dwyer	50,000	–	–	50,000	3.6	3.6	180,000	3 yrs	03/05/2015	03/05/2022
	5,500	–	–	5,500	2.55	2.5	13,750	3 yrs	30/01/2017	30/01/2024
	17,500	–	–	17,500	3.52	3.52	61,600	3 yrs	19/06/2018	19/06/2025
Total	73,000	–	–	73,000						
T A Rodrigues	3,000	–	–	3,000	3.625	3.625	10,875	3 yrs	13/10/2013	13/10/2020
	3,000	–	–	3,000	4.03	4.03	12,090	3 yrs	05/04/2014	05/04/2021
	17,500	(17,500)	–	–	3.52	3.52	–	3 yrs	19/06/2018	19/06/2025
Total	23,500	(17,500)	–	6,000						

The closing market price of the Company's ordinary shares at 30th June 2019 was £4.06 (2018: £4.10) and the price moved during the year between a low of £3.60 to a high of £4.30 (2018: low £3.91 high £4.54).

The beneficial interests of the Directors and their families in the shares of the Company at the period end were as follows:

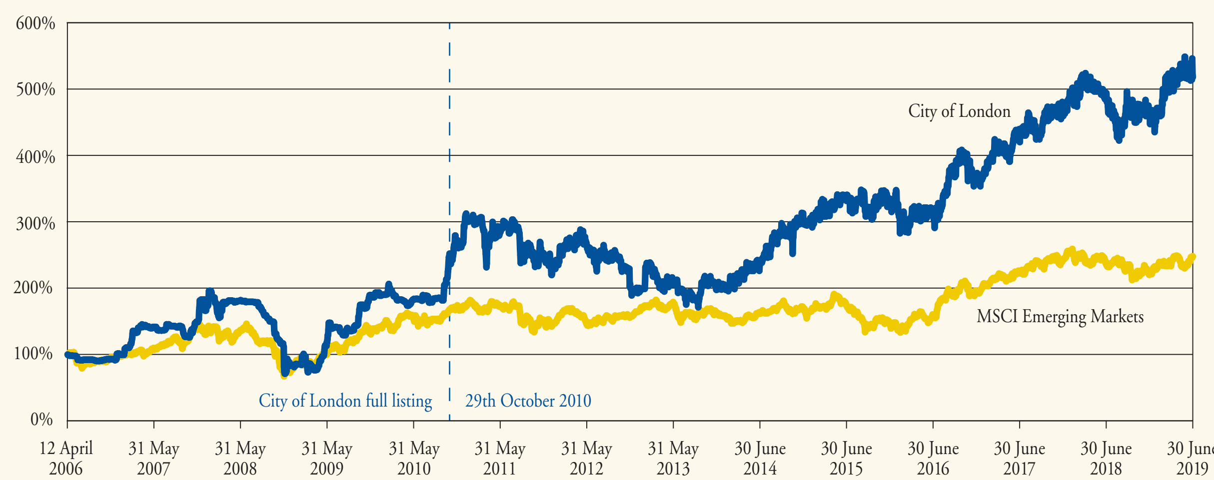
	Ordinary Shares of		Restricted Share Awards of	
	1p each 2019	1p each 2018	1p each 2019	1p each 2018
B M Olliff	2,025,186	2,025,186	–	–
T W Griffith	306,943	284,425	105,528	43,554
T A Rodrigues	124,112	98,219	52,935	25,180
B A Aling (Non-Executive)	94,300	94,300	–	–
M D Dwyer	49,408	34,962	100,310	43,338
S E Nicklin (Non-Executive)	1,951	1,332	–	–

The information provided from this point forward in the Directors' Remuneration Report is not subject to audit.

Total shareholder return

The following graph illustrates the total shareholder return of a holding in the Company against an appropriate index. We have chosen the MSCI Emerging Markets T/R Net Index, the benchmark via which c.90% of our profits are achieved. The index is calculated on a total return basis, i.e. assuming reinvestment of dividends. The Regulations require this information to be provided for the last ten financial years or at least from the date that the Company's shares were traded publicly. It should be noted that the Company was admitted to AIM on 12th April 2006 and then moved on to the main market of the London Stock Exchange on 29th October 2010.

Total shareholder return (dividends reinvested) from date of listing on AIM to 30th June 2019 (GBP)



Source: *Bloomberg.*

Chief Executive Officer single figure

Barry Olliff stepped down as CEO on 1st March 2019. Tom Griffith was appointed CEO from this date, having previously served as Chief Operating Officer and Deputy CEO.

The following table shows the total remuneration of Barry Olliff (CEO 1), for the last nine financial years and up until he stepped down as CEO. Tom Griffith's (CEO 2) total remuneration is shown from the date he took up his position as CEO.

Barry Olliff was entitled under his service agreement to a bonus equal to 5% of the pre-bonus, pre-tax profits of the Group.

	Year to 31st May 2010 £	Year to 31st May 2011 £	Year to 31st May 2012 £	Year to 31st May 2013(1) £	13 months to 30th June 2014 £	Year to 30th June 2015 £	Year to 30th June 2016 £	Year to 30th June 2017 £	Year to 30th June 2018 £	Year to 30th June 2019 Prorated £
CEO single figure remuneration										
CEO 1	1,152,351	1,210,763	1,012,801	580,922	693,550	805,430	763,686	1,038,679	1,108,646	627,887
CEO 2	–	–	–	–	–	–	–	–	–	212,036
Actual bonus										
CEO 1	905,587	950,203	754,575	319,230	419,038	544,952	484,243	716,133	804,449	417,322
CEO 2	–	–	–	–	–	–	–	–	–	124,166
Annual bonus (as a % of current cap) (2)										
CEO 1	120%	100%	92%	51%	84%	85%	84%	84%	84%	74%
CEO 2	–	–	–	–	–	–	–	–	–	88%
LTIP – % of maximum opportunity (3)										
CEO 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CEO 2	–	–	–	–	–	–	–	–	–	100%

Notes:

(1) Barry Olliff stepped down as CEO on 1st January 2013 and resumed the role on 15th April 2013. During this time he remained a Director and CIO on the same salary. Therefore his remuneration for the full year has been included in this table to provide a useful comparative.

(2) In 2015 the Directors Remuneration Policy was amended to include a cap on bonuses paid to Directors and Barry Olliff's cap was set at 5% of operating profits pre-bonus and EIP. For comparison purposes prior years' annual bonuses are shown as a percentage of 5% of operating profits pre-bonus and EIP. The cap on Tom Griffith's bonus is 2.5% of operating profit pre-bonus and EIP.

(3) As detailed in the directors' remuneration report, EIP awards are made on the basis of the amount of the bonus that has been waived in the scheme year. One-third of the LTIP awards vest annually over a three year vesting period. Therefore, on vesting one-third of the awards would be deemed to be the maximum opportunity.

Percentage change in the remuneration of the CEO and employees

The table below shows the change in CEO's salary, benefits and bonus in comparison with the Group's employees as a whole. It has been weighted to take into account Tom Griffith replacing Barry Olliff as CEO on 1st March 2019.

The average change for employees as a whole is given using a per capita figure based on the average number of employees for the period.

Comparison of percentage change in value from 2018 to 2019	CEO	Group employees
Salary	-2%	10%
Health Insurance	0%	14%
Annual bonus awards	-33%	4%

Note:
The regulations require us to disclose taxable benefits. Health insurance is offered to all employees but is not considered a taxable benefit in all countries. For comparative purposes we have based our calculations on all health insurance costs incurred, whether a taxable benefit or not.

Due to the change of CEO during the course of the year, the comparative percentage movement in both the salary and annual bonus awards is apportioned over the time spent in office by each CEO. Therefore, due to the disparity in earnings between the two CEO's this gives a negative percentage movement in the above table when comparing the remuneration between the years 2018 to 2019.

The comparisons include the varying effects of currency exchange rates from one geographic location to another in conversion to sterling for the two comparative periods.

Relative importance of spend on pay

The table below shows the overall expenditure on employee remuneration and shareholder distributions and the percentage change between the current and previous period.

	2019 £	2018 £	% change
Total employee spend	14,789,754	14,066,857	5%
Average headcount	73	73	0%
Profit after tax	8,798,910	10,060,343	-13%
Dividends relating to the period*	10,181,954	6,839,105	49%

* The current period includes an estimate of the final dividend based on the number of qualifying shares as at 30th June 2019. The Board are recommending a final dividend of 18p per share (2018: 18p), which would make the total for the year 40.5p per share (2018: 27p), including the special dividend of 13.5p paid in March 2019. This is subject to shareholder approval at the AGM in October. The prior period estimate has been restated to include actual final dividend paid.

A breakdown of the employee spend can be found in note 6 to the financial statements on page 81.

Remuneration Committee

At the start of the year the Remuneration Committee members were Mark Driver (Chair of the Committee), Barry Aling, Susannah Nicklin and Jane Stabile. On 22nd October 2018, Jane Stabile took over from Mark Driver as Chair of the Committee and Barry Aling stepped down. Peter Roth joined the Committee on 1st June 2019 and Mark Driver resigned on 30th June 2019. The Remuneration Committee meets formally at least four times a year and otherwise as required. During the year to 30th June 2019 the scheduled Committee meetings were principally to review and approve the quarterly assessment of the profit-share pool, and allocations therefrom to Executive Directors and senior employees, the semi-annual salary review including both the overall level of awards and individual awards to Executive Directors and senior employees, and a detailed review of the Remuneration Policy. In addition, the Committee reviewed the level of employee participation in the EIP to ensure it remained within the limits of the plan rules. Both the Chairman of the Company and the CEO are invited to attend the meetings to assist the Committee with its deliberations. The Finance Director attends in her capacity as secretary to the Committee. None of the Executive Directors are in attendance during discussions regarding their own remuneration.

Details of attendance by members are set out on page 42.

Statement of voting at the last Annual General Meeting (AGM)

The resolution seeking approval of the Remuneration Annual Report at the AGM in October 2018 received the following votes.

	Annual report	
	Number of votes	Percentage of votes cast
For*	10,346,798	83.1%
Against	2,106,845	16.9%
Total votes cast	12,453,643	
Votes withheld	6,148	

* includes discretionary votes

DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy (the "policy") was last put to a binding shareholder vote at the AGM in October 2016 and passed with a vote of 82% in favour. The policy must be presented to shareholders for approval at least every three years. Following a review this year and taking into account feedback from the Company's largest shareholders and their main representative bodies, the Remuneration Committee propose the following changes:

- The introduction of a Directors' fee for Executive Directors. This will not be in addition to their current salary, rather the current base salary will be split to reflect their executive and director/governance duties. The fee will be as per the Non-Executive base fee and the salary will be reduced accordingly. This is essentially for UK income tax compliance reasons.
- The introduction of a 250% cap on variable remuneration linked to salary and base fees rather than operating profit (currently the limits are set as Barry Olliff 5% of operating profit and other Executive Directors 2.5%)
- An increase in the vesting schedule of the EIP from three to five years. As Executive Directors have already elected to participate under the current policy for the year 2019/20, the extended vesting period will only take effect from the next round of elections, which will be in June 2020 and relate to the awards due October 2021.

- The introduction of share ownership guidelines for Executive Directors. It is expected that Executive Directors should build up a shareholding of at least 200% of salary, to be achieved within five years. For current Executive Directors this period of achievement will apply from the date shareholders approve the policy and for any new Executive Directors it will apply from the date of appointment.
- An increase in the total aggregate annual Directors' fees from £250,000 to £450,000 to essentially accommodate the introduction of fees for the Executive Directors as noted earlier (the total Directors' fees per annum for four Executive Directors will be £140,000, and will offset with an equal reduction in salary).

It should be noted that historically the total aggregate annual Directors' fees was set in the Company's Articles of Association. However, given Directors remuneration is covered by the policy the Board propose the deletion of the limit from this clause to avoid any conflict and will request shareholder approval of the revised Articles at the next AGM.

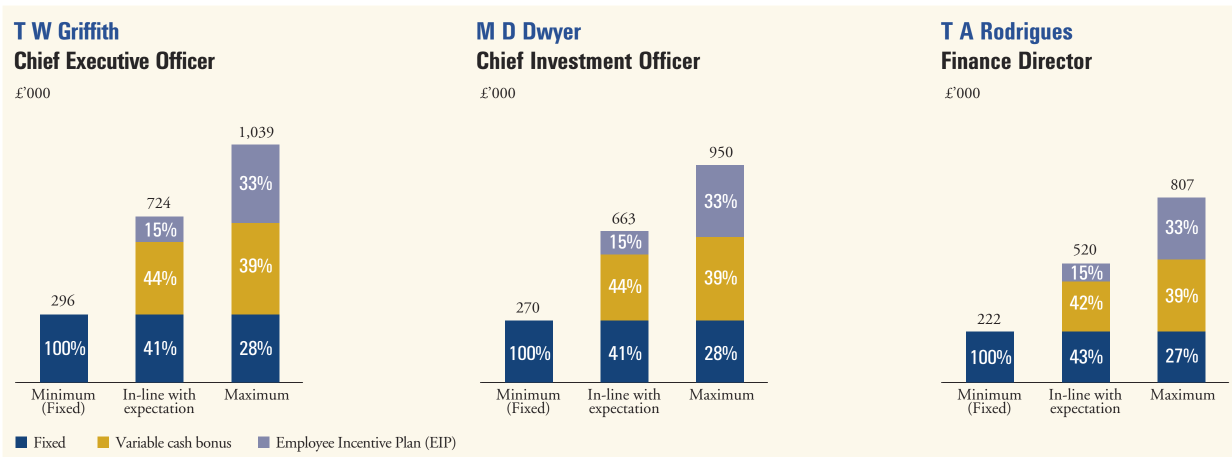
The following table sets out the principal components of the new policy which will be put to shareholders for approval and, if approved, be effective from the conclusion of the AGM on 21st October 2019, except for the increase in the EIP vesting schedule where the first relevant awards will be in October 2021.

Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS				
Base salary (fixed pay)				
To pay a fair base salary, commensurate with the size of the business and the individual's role and experience.	Reviewed semi-annually, with changes, if any, generally effective 1st January and 1st July. The Committee considers salaries in the context of an overall package with regard to market data, Group performance and individual experience and performance.	The semi-annual pay review does not guarantee an increase. The Committee considers it important to keep fixed costs under tight control and as such salaries are at the lower end of what may be described as market average. There is no set maximum salary, however, the Committee is guided by market data/practice when setting pay awards.	Not applicable.	Not applicable.
Base fee (fixed pay)				
Provides a fee allocation to cover UK Director duties.	The fees are equivalent to the Non-Executive Directors' base fee. These are reviewed periodically with the last review in December 2018. There has been no decision as to when these fees will next be revised.	As this fee relates specifically to the Executive Directors' governance duties it is pegged to the Non-Executive Directors' base fee. The aggregate annual fees for Executive and Non-Executive Directors are limited to £450,000.	Not applicable.	Not applicable.
Pension (fixed pay)				
To provide defined contribution pension arrangements to assist with recruitment and retention.	Employer contributions are made to defined contribution pension arrangements or equivalent cash allowances are paid, subject to local practice in the relevant country.	The maximum defined pension contribution or cash equivalent is 12.5% per annum of base salary.	Not applicable.	Not applicable.
Other benefits (fixed pay)				
To provide market competitive fringe benefits.	Currently benefits offered include: life insurance, medical insurance (or a contribution towards the cost), disability insurance, paid holiday/sabbatical and travel season ticket loans. Additional benefits may be provided if required, for example to support international relocation.	These benefits represent a small element of the overall remuneration package and as such are not subject to a specific cap. Directors are entitled to 30 days paid holiday, in addition to public holidays.	Not applicable.	Benefits are provided up to termination of employment and any outstanding travel season ticket loan is repayable in full.
Discretionary bonus (variable pay)				
To incentivise and reward Directors for their contribution to the corporate goals outlined in the strategic report.	The Company operates a bonus plan for all employees, including the Executive Directors, that is linked to the Group's profitability, allocating a maximum of 30% of pre-bonus, pre-tax, operating profit for this purpose. Bonus awards are made by the Board following recommendations by the Remuneration Committee. Bonuses are paid quarterly in September (approximately 10% of the estimated annual bonus), December (20%), March (30%) and July (40%). A minimum of 10% of the July payment is deferred until September once the financial statements have been audited and approved.	The maximum payment to each Executive Director is capped at 2.5 times the aggregate of salary and fees, except Barry Olliff whose entitlement is capped at 5% of the pre-bonus/EIP, pre-tax operating profit of the Group, provided those profits exceed £500,000. Barry Olliff retires from the Board as of 31st December 2019.	Bonuses are not subject solely to individual performance conditions and are paid in cash. Although this remuneration policy does not comply with the UK Corporate Governance Code, the Board believes that this bonus scheme has worked well in motivating staff at all levels within the Company and that this is demonstrated by the high employee retention rates experienced by the Group.	No profit-share shall be payable for any year in which employment is terminated or at any time after the Director has given or received notice of termination. This relates to all Executive Directors except Barry Olliff whose contract provides that he will be entitled to a proportion of the bonus to which he would have been entitled had he been employed for the whole year.

Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS continued				
Clawback				
To ensure that bonus awards do not encourage excessive risk.	The Committee can seek to recover the annual bonus in the exceptional event of: misstatement or misleading representation of performance; a significant failure of risk management and control; or serious misconduct of an individual.	The Committee has discretion to determine the amount of any award which it seeks to clawback.	Not applicable.	Up to 18 months after termination date.
Employee Incentive Plan (Plan)				
To encourage and reward loyalty, and to align the long-term interests of Directors with that of shareholders and clients. The Plan is designed to work in line with the Group's current annual bonus policy.	The Plan is open to employees of all Group companies and Executive Directors. Participants will initially be invited to waive up to 20% of their annual bonus in return for the right to participate in the Plan for the financial year. Under the Plan, they will be granted Restricted Share Awards (RSAs) in the Company equal in value to 2 x the amount they have waived. The Plan is linked to the Group's profitability, and until 30th June 2020 is capped at 5% of pre-bonus, pre-tax, operating profit to cover the charge of matching shares. Thereafter, the Plan will fall within the 30% limit of the profit-share pool.	Depending on the level of participation, if there is headroom within the 5% of pre-bonus, pre-tax operating profit, employees and Executive Directors will be offered the opportunity to increase their participation up to 30% of their annual bonus. Awards held until they vest will receive a dividend equivalent payment, equal to the amount that they would have received had they been entitled to dividends from the date of grant. In the event of a change of control of the Company, the RSAs relating to the waived bonus will vest in full on an accelerated basis. Only a prorated number of the Company matching RSAs will vest on an accelerated basis according to the number of days elapsed since grant over the total vesting period.	Not applicable.	The RSAs will vest 1/3 each year over a three year period. The RSAs are funded 50% by waived bonus and 50% by the Company. In the event of termination before the normal vesting date, the RSAs funded by the waived bonus, will be repaid at the lower of the value of those shares on the date of award and the date of forfeiture. The Company funded RSAs will be forfeited upon termination, except in the case of a good leaver (see ESOP section below), where there will be an entitlement to a pro-rated amount.
ESOP				
To encourage both Director and employee share ownership and align their long-term interests with that of shareholders.	The Board are no longer granting awards under the ESOP as this plan has effectively been replaced by the EIP. Details of the ESOP are provided here for information. The last award granted was in June 2015. The awards have a ten year life span.	The Employee Benefit Trust is currently permitted to hold up to 10% of the issued share capital of the Company. Executive Director annual awards are limited to 50% of base salary.	Option awards are made by the Board following recommendations by the Remuneration Committee.	Options held will lapse upon termination except for good leavers who may exercise their options within six months commencing from the date they ceased to be a Director. A good leaver is a Director who leaves due to ill health or disability, sale of the business, on retirement, through redundancy or in other special circumstances approved by the Remuneration Committee (acting fairly and reasonably). Under the rules of the new option scheme adopted in June 2015, options may be exercised up to 90 days after termination.
Minimum shareholding				
Guidance to encourage Director share ownership and ensure alignment of their long term interests with that of shareholders.	The Remuneration Committee will monitor the Executive Directors share ownership and participation in the EIP annually to ensure they are on track to meet the minimum shareholding requirement within the desired timeframe.	Not applicable.	The Remuneration Committee expects Executive Directors to build up a shareholding of at least 200% of salary within a five year period.	Not applicable.
NON-EXECUTIVE DIRECTORS				
Fees				
To pay a fair fee, commensurate with the skills, experience and time required to undertake the role.	Fees are reviewed periodically, with the last review having been taken in December 2018 and the recommended increments effective 1st January 2019. Fees are paid monthly or quarterly in arrears, depending on Director's preference. There has been no decision as to when these fees will next be revised.	The aggregate annual fees for Executive and Non-Executive Directors are limited to £450,000.	Not applicable.	Not applicable.
Expenses				
To enable the Non-Executive Directors to perform their duties.	All reasonable travelling, hotel and other expenses properly incurred in the performance of their duties as Directors, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the shareholders.	Expenses are not subject to a specific cap but they must be reasonable and appropriate. The Company may settle any tax incurred.	Not applicable.	Not applicable.
Benefits				
There are no retirement or post retirement employment benefits to Non-Executive Directors nor do they participate in any of the Group's incentive arrangements.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

Reward scenarios

The Regulations require the inclusion of a table to illustrate the level of remuneration that would be received by each Director in accordance with the Group's Directors' Remuneration Policy in the first year to which it applies, the first full financial year being that ending 30th June 2021.



Assumptions:

1) Based on the 2019 results.
2) Minimum - reflects current salary, pension and taxable benefits, as disclosed in the single figure remuneration table. Plus expected dividend equivalent payments due on vesting EIP awards. These costs are considered fixed pay i.e. are not linked to annual performance.
3) In-line with expectation – reflects the minimum remuneration plus the profit-share and total EIP awards as disclosed in the single figure remuneration table.
4) Maximum – reflects the minimum remuneration plus the maximum bonus opportunity as detailed in the future policy table. The maximum variable cash bonus has been adjusted by the maximum amount of the bonus that can be waived (30%), which in turn is matched by the Company and the total is shown as EIP.
5) Under the new Directors' remuneration policy, the EIP awards once awarded, will vest 20% per annum over a five year period.

The above reward scenario charts are not a projection and are being provided for guidance only.

These charts are based on future remuneration scenarios for the year ending June 2021 and therefore do not include Barry Olliff who is due to retire in December 2019.

Share price impact

Directors' remuneration is not linked to performance targets or measures relating to more than one financial year. Hence no illustrations are shown in respect of the impact on the Directors' remuneration outcomes based on future share price movements.

Consideration of employment conditions elsewhere in the Group

The firm has always adopted a partnership approach so in essence this policy is consistent with that applied across the Group.

While employees were not directly consulted on the Directors' remuneration, the Group remuneration policy is provided to all staff and any feedback or concerns are welcomed.

Recruitment of new Directors

The structure of the package offered to new Directors mirrors that offered to current Directors detailed in the future policy table.

The Group does not normally award guaranteed annual bonuses, however if when recruiting the Committee believes it is necessary, a guaranteed bonus may be offered for the first 12 months of service only. In general, the bonus would not exceed one year's salary. However, the Remuneration Committee reserves the discretion to take into account exceptional circumstances in determining the appropriate application of this policy limit. Any deviation would be subject to the current limit for Executive Director bonuses of 250% of salary and would not be offered for a period longer than 12 months. The rationale for any such discretion would be explained to shareholders.

Payments for loss of office – Service contracts and letters of appointment

In line with general market practice, the Executive Director service contracts are based on a rolling 12 month period, except for Barry Olliff. His contract may also be terminated on 12 months' notice by either party and it will automatically terminate on his 75th birthday, 31st December 2019. Termination of any service contract requires 12 months written notice by either party, and the Committee has the discretion to make a payment in lieu of notice. This would consist of one year's base salary only.

Non-Executive Directors do not have service contracts, but are engaged under letters of appointment. Their appointment can be terminated by serving six months' notice by either party and the Committee has the discretion to make a payment in lieu of notice.

Details of Directors' service contracts and letters of appointment are below:

Name	Date of contract/ letter of appointment	Notice period from Company	Notice period from Director	Provision of compensation for loss of office
Executive Directors				
Barry Olliff	9th June 2014	One year	One year	One year's salary
Tom Griffith	1st February 2013	One year	One year	One year's salary
Tracy Rodrigues	19th October 2015	One year	One year	One year's salary
Mark Dwyer	19th October 2015	One year	One year	One year's salary
Non-Executive Directors				
Barry Aling	1st August 2013	Six months	Six months	Six month's fees
Susannah Nicklin	1st July 2017	Six months	Six months	Six month's fees
Jane Stabile	1st July 2018	Six months	Six months	Six month's fees
Peter E Roth	1st June 2019	Six months	Six months	Six month's fees

All Directors' service contracts and letters of appointment are kept at the Company's registered office and will be available for inspection at the AGM.

Approved by the Board of Directors and signed on behalf of the Board

Jane Stabile
Chair of the Remuneration Committee

12th September 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report, the Separate Corporate Governance Statement and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company 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 they have been prepared in accordance with IFRSs adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and positions are listed on pages 36 and 37 confirm that, to the best of each person's knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report and Director's report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the City of London Investment Group's website.

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

For and on behalf of the Board

Tom Griffith
Chief Executive Officer

12th September 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITY OF LONDON INVESTMENT GROUP PLC

Opinion

We have audited the financial statements of City of London Investment Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30th June 2019 which comprise the Consolidated Income statement, Consolidated and Company statement of Comprehensive Income, Consolidated and Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated and Company cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30th June 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 26 and 27 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 26 in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 38 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 Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 30 in the annual report as to how they have assessed the prospects of the Group, 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 Group 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified. These matters included 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 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.

Group key audit matters

Accuracy and completeness of management fees

Risk:

As described in the accounting policies on page 77 management fees are based on a percentage of funds under management in accordance with the respective investment management agreement. There is a risk of management fee income being inaccurate or incomplete if incorrect funds under management or incorrect percentages are used and is therefore determined to be a key audit matter.

How the scope of our audit responded to the risk:

Our audit work included substantive analytics and testing a sample of management fees from the fund listing through the posting of the income in the general ledger detail. This testing included; obtaining third party confirmations of the relevant month-end Net Asset Value (NAV), reviewing the Investment Manager Agreements (IMA) in place for key inputs into the calculation and recalculating the expected management fee based on the NAV and % fee income documented in the IMA. Our work to review investment mandates also provided evidence of management control over fee income.

Key observations:

For the sample tested our testing did not identify any significant variances between the income recognised by the Group and our recalculation of the expected income. Furthermore, third party confirmations received from fund administrators were in line with client documentation.

Breach of investment mandates

Risk:

The Group is responsible for managing assets in accordance with mandates specified by its clients. There is a risk of financial and reputational loss for the Group if it trades or invests outside the scope of the mandates and is therefore determined to be a key audit matter.

How the scope of our audit responded to the risk:

Our audit work included testing of controls over reports generated by the Group's trade order management system. More specifically we checked that the daily control sheets are being reviewed on a daily basis and that any breaches identified are being properly recorded and addressed.

Key observations:

Our testing did not identify any issues on the controls in place around the review of breach of mandates. Furthermore, we confirmed any breaches identified by the controls are being properly addressed.

Regulatory requirements

Risk:

The continued compliance of City of London Investment Management Company Limited with its FCA registration represents a key audit risk as it is a company regulated by the FCA.

How the scope of our audit responded to the risk:

Our audit work included reviewing the controls in place to ensure ongoing compliance with the FCA including reporting to the Board. In addition, we completed work to review compliance with the FCA laws and regulations.

Key observations:

Our testing did not identify any issues around compliance with the City of London Investment Management Company's FCA registration.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning, materiality for the group financial statements as a whole was calculated as £569,000, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £544,000, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and Company and its environment to support our opinion on the Group and Company financial statements.

The audit was scoped to support our audit opinion of the Company and Group financial statements of City of London Investment Group plc and was based on Group materiality and an assessment of risk at Group level.

The Group's overseas subsidiary is based in Singapore and was subject to a full scope local statutory audit by a component audit firm. RSM UK Audit LLP carried out procedures on elements of the accounts included in the financial statements including reviewing information sent by the local audit firm.

The testing outlined resulted in coverage of 100% of the revenues and profit before tax of the Group and 100% of total gross assets of the Group.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 63, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 63 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 45 to 47 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on pages 40 to 42 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and;
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 63, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

As part of our audit, we will consider the susceptibility of the Group and Parent Company to fraud and other irregularities, taking account of the business and control environment established and maintained by the Directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board on 23rd October 2017 to audit the financial statements for the year ending 30th June 2018 and subsequent financial periods.

The period of total uninterrupted engagement is 2 years, covering the years ending 30th June 2018 to 30th June 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm Pirouet, (Senior Statutory Auditor)
For and on behalf of
RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

13th September 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2019

	Note	Year to 30th June 2019 £	Year to 30th June 2018 £
Revenue			
Gross fee income	5	31,933,229	33,930,846
Commissions payable		(751,523)	(1,159,580)
Custody fees payable		(1,327,296)	(1,164,477)
Net fee income		29,854,410	31,606,789
Administrative expenses			
Staff costs	6(b)	14,789,754	14,066,857
Other administrative expenses		4,254,383	4,717,139
Depreciation and amortisation		306,445	294,799
		(19,350,582)	(19,078,795)
Operating profit	8	10,503,828	12,527,994
Interest receivable and similar gains*	9	893,731	264,501
Profit before taxation		11,397,559	12,792,495
Income tax expense	10	(2,352,275)	(2,732,152)
Profit for the period		9,045,284	10,060,343
Profit attributable to:			
Non-controlling interests		246,374	–
Equity shareholders of the parent		8,798,910	10,060,343
Basic earnings per share	11	34.9p	39.5p
Diluted earnings per share	11	34.1p	39.3p

* The Group has initially applied IFRS 9 at 1st July 2018. Under the transition method chosen, comparative information has not been restated.

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2019

	Group		Company	
	Year to 30th June 2019 £	Year to 30th June 2018 £	Year to 30th June 2019 £	Year to 30th June 2018 £
Profit for the period	9,045,284	10,060,343	10,773,474	9,888,536
Items which may be reclassified through the profit or loss:				
Fair value gains on available-for-sale investments*	–	1,694	–	1,826
Release of fair value gains on disposal of available-for-sale investments*/**	–	(154,384)	–	(153,819)
Foreign exchange gains/(losses) on non-monetary assets	6,124	(20,884)	–	–
Other comprehensive income/(loss)	6,124	(173,574)	–	(151,993)
Total comprehensive income for the period	9,051,408	9,886,769	10,773,474	9,736,543
Attributable to:				
Equity shareholders of the parent	8,805,034	9,886,769	10,773,474	9,736,543
Non-controlling interests	246,374	–	–	–

* Net of deferred tax.

** The Group has initially applied IFRS 9 at 1st July 2018. Under the transition method chosen, comparative information has not been restated.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

30TH JUNE 2019

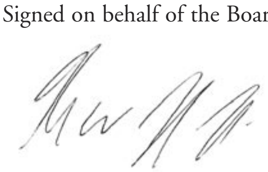
		Group		Company	
	Note	30th June 2019 £	30th June 2018 £	30th June 2019 £	30th June 2018 £
Non-current assets					
Property and equipment	12	670,048	450,241	414,555	125,917
Intangible assets	13	193,465	292,037	33,043	47,333
Other financial assets	14	7,699,491	38,170	5,168,562	1,069,930
Deferred tax asset	15	380,234	119,078	27,021	40,011
		8,943,238	899,526	5,643,181	1,283,191
Current assets					
Trade and other receivables	16	5,979,448	5,833,160	8,998,886	14,397,266
Other financial assets	17	126,754	195,112	126,754	195,112
Current tax receivable		–	–	2,121,430	835,385
Cash and cash equivalents		13,813,089	19,704,111	146,836	225,806
		19,919,291	25,732,383	11,393,906	15,653,569
Current liabilities					
Trade and other payables	18	(5,766,484)	(4,801,433)	(4,546,423)	(3,843,071)
Current tax payable		(692,840)	(361,021)	–	–
Creditors, amounts falling due within one year		(6,459,324)	(5,162,454)	(4,546,423)	(3,843,071)
Net current assets		13,459,967	20,569,929	6,847,483	11,810,498
Total assets less current liabilities		22,403,205	21,469,455	12,490,664	13,093,689
Non-current liabilities					
Deferred tax liability	19	(116,441)	(3,221)	(3,221)	(3,221)
Net assets		22,286,764	21,466,234	12,487,443	13,090,468
Capital and reserves					
Share capital	20	265,607	268,617	265,607	268,617
Share premium account	21	2,256,104	2,256,104	2,256,104	2,256,104
Investment in own shares	21	(5,029,063)	(4,699,115)	(5,029,063)	(4,699,115)
Fair value reserve*	21	–	13,731	–	13,731
Share option reserve	21	299,011	372,762	299,011	372,762
EIP share reserve	21	1,015,316	605,707	1,015,316	605,707
Foreign exchange reserve	21	94,379	88,255	–	–
Capital redemption reserve	21	26,107	23,097	26,107	23,097
Retained earnings*	21	19,953,375	22,537,076	13,654,361	14,249,565
Shareholders interest		18,880,836	21,466,234	12,487,443	13,090,468
Non-controlling interest		3,405,928	–	–	–
Total equity		22,286,764	21,466,234	12,487,443	13,090,468

* The Group has initially applied IFRS 9 at 1st July 2018. Under the transition method chosen, comparative information has not been restated.

As permitted by section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these financial statements. The Parent Company's profit for the financial period amounted to £10,773,474 (2018: £9,888,536).

The Board of Directors approve and authorise for issue these financial statements on 12th September 2019.

Signed on behalf of the Board of Directors of City of London Investment Group PLC, company number 2685257.



Tom Griffith
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2019

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	EIP share reserve £	Foreign exchange reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	Non-controlling interest £	Total £
At 30th June 2017	268,617	2,256,104	(4,355,887)	166,421	442,379	101,497	109,139	23,097	19,069,725	18,081,092	–	18,081,092
Profit for the period	–	–	–	–	–	–	–	–	10,060,343	10,060,343	–	10,060,343
Comprehensive income	–	–	–	(152,690)	–	–	(20,884)	–	–	(173,574)	–	(173,574)
Total comprehensive income	–	–	–	(152,690)	–	–	(20,884)	–	10,060,343	9,886,769	–	9,886,769
Transactions with owners												
Share option exercise	–	–	637,799	–	(83,312)	–	–	–	83,312	637,799	–	637,799
Purchase of own shares	–	–	(981,027)	–	–	–	–	–	–	(981,027)	–	(981,027)
Share-based payment	–	–	–	–	13,695	504,210	–	–	–	517,905	–	517,905
Deferred tax on share options	–	–	–	–	–	–	–	–	(100,430)	(100,430)	–	(100,430)
Current tax on share options	–	–	–	–	–	–	–	–	50,204	50,204	–	50,204
Dividends paid	–	–	–	–	–	–	–	–	(6,626,078)	(6,626,078)	–	(6,626,078)
Total transactions with owners	–	–	(343,228)	–	(69,617)	504,210	–	–	(6,592,992)	(6,501,627)	–	(6,501,627)
At 30th June 2018 as previously reported	268,617	2,256,104	(4,699,115)	13,731	372,762	605,707	88,255	23,097	22,537,076	21,466,234	–	21,466,234
Adjustment on initial application of IFRS 9*	–	–	–	(13,731)	–	–	–	–	13,731	–	–	–
Adjusted balance at 1st July 2018	268,617	2,256,104	(4,699,115)	–	372,762	605,707	88,255	23,097	22,550,807	21,466,234	–	21,466,234
Profit for the period	–	–	–	–	–	–	–	–	8,798,910	8,798,910	246,374	9,045,284
Comprehensive income	–	–	–	–	–	–	6,124	–	–	6,124	–	6,124
Total comprehensive income	–	–	–	–	–	–	6,124	–	8,798,910	8,805,034	246,374	9,051,408
Transactions with owners												
NCI Investment	–	–	–	–	–	–	–	–	–	–	3,159,554	3,159,554
Share option exercise	–	–	515,187	–	(71,994)	–	–	–	71,994	515,187	–	515,187
Purchase of own shares	–	–	(1,234,621)	–	–	–	–	–	–	(1,234,621)	–	(1,234,621)
Share cancellation	(3,010)	–	–	–	–	–	–	3,010	(1,165,789)	(1,165,789)	–	(1,165,789)
Share-based payment	–	–	–	–	(1,757)	606,799	–	–	–	605,042	–	605,042
EIP vesting/forfeiture	–	–	389,486	–	–	(197,190)	–	–	–	192,296	–	192,296
Deferred tax on share options	–	–	–	–	–	–	–	–	(100,091)	(100,091)	–	(100,091)
Current tax on share options	–	–	–	–	–	–	–	–	16,372	16,372	–	16,372
Dividends paid	–	–	–	–	–	–	–	–	(10,218,828)	(10,218,828)	–	(10,218,828)
Total transactions with owners	(3,010)	–	(329,948)	–	(73,751)	409,609	–	3,010	(11,396,342)	(11,390,432)	3,159,554	(8,230,878)
At 30th June 2019	265,607	2,256,104	(5,029,063)	–	299,011	1,015,316	94,379	26,107	19,953,375	18,880,836	3,405,928	22,286,764

* The Group has initially applied IFRS 9 at 1st July 2018. Under the transition method chosen, comparative information has not been restated.

COMPANY STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2019

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	EIP share reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £
At 30th June 2017	268,617	2,256,104	(4,355,887)	165,724	442,379	101,497	23,097	10,945,371	9,846,902
Profit for the period	–	–	–	–	–	–	–	9,888,536	9,888,536
Comprehensive income	–	–	–	(151,993)	–	–	–	–	(151,993)
Total comprehensive income	–	–	–	(151,993)	–	–	–	9,888,536	9,736,543
Transactions with owners									
Share option exercise	–	–	637,799	–	(83,312)	–	–	46,014	600,501
Purchase of own shares	–	–	(981,027)	–	–	–	–	–	(981,027)
Share-based payment	–	–	–	–	13,695	504,210	–	–	517,905
Deferred tax on share options	–	–	–	–	–	–	–	(25,286)	(25,286)
Current tax on share options	–	–	–	–	–	–	–	21,008	21,008
Dividends paid	–	–	–	–	–	–	—	(6,626,078)	(6,626,078)
Total transactions with owners	–	–	(343,228)	–	(69,617)	504,210	–	(6,584,342)	(6,492,977)
At 30th June 2018 as previously reported	268,617	2,256,104	(4,699,115)	13,731	372,762	605,707	23,097	14,249,565	13,090,468
Adjustment on initial application of IFRS 9*	–	–	–	(13,731)	–	–	–	13,731	–
Adjusted balance at 1st July 2018	268,617	2,256,104	(4,699,115)	–	372,762	605,707	23,097	14,263,296	13,090,468
Profit for the period	–	–	–	–	–	–	–	10,773,474	10,773,474
Comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	–	10,773,474	10,773,474
Transactions with owners									
Share option exercise	–	–	515,187	–	(71,994)	–	–	33,155	476,348
Purchase of own shares	–	–	(1,234,621)	–	–	–	–	–	(1,234,621)
Share cancellation	(3,010)	–	–	–	–	–	3,010	(1,165,789)	(1,165,789)
Share-based payment	–	–	–	–	(1,757)	606,799	–	–	605,042
EIP vesting/forfeiture	–	–	389,486	–	–	(197,190)	–	–	192,296
Deferred tax on share options	–	–	–	–	–	–	–	(35,460)	(35,460)
Current tax on share options	–	–	–	–	–	–	–	4,513	4,513
Dividends paid	–	–	–	–	–	–	–	(10,218,828)	(10,218,828)
Total transactions with owners	(3,010)	–	(329,948)	–	(73,751)	409,609	3,010	(11,382,409)	(11,376,499)
At 30th June 2019	265,607	2,256,104	(5,029,063)	–	299,011	1,015,316	26,107	13,654,361	12,487,443

* The Group has initially applied IFRS 9 at 1st July 2018. Under the transition method chosen, comparative information has not been restated

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2019

	Note	Group		Company	
		30th June 2019 £	30th June 2018 £	30th June 2019 £	30th June 2018 £
Cash flow from operating activities					
Operating profit		10,503,828	12,527,994	321,873	276,936
Adjustments for:					
Profit on disposal of assets		(240)	–	(240)	–
Depreciation charges		204,601	200,332	103,167	83,394
Amortisation of intangible assets		101,844	94,467	14,290	6,914
Share-based payment (credit)/charge		(1,757)	13,695	(237)	3,042
EIP-related charge		793,036	504,210	396,111	246,715
Translation adjustments		(24,646)	100,657	(16,244)	47,621
Cash generated from operations before changes in working capital		11,576,666	13,441,355	818,720	664,622
(Increase)/decrease in trade and other receivables		(80,825)	24,735	5,398,380	(6,148,484)
Increase in trade and other payables		975,184	1,398,752	895,560	2,623,193
Cash generated from/(used in) operations		12,471,025	14,864,842	7,112,660	(2,860,669)
Interest received		87,749	47,105	5	187
Interest paid		1,118	8,615	–	–
Taxation paid		(2,252,111)	(2,818,992)	(1,415,000)	(253,292)
Net cash generated from/(used in) operating activities		10,307,781	12,101,570	5,697,665	(3,113,774)
Cash flow from investing activities					
Dividends received from subsidiaries		–	–	10,600,000	9,400,000
Purchase of property and equipment and intangibles		(421,316)	(136,903)	(391,565)	(95,634)
Proceeds from sale of property and equipment		–	–	–	–
Purchase of non-current financial assets		(7,088,847)	(2,272)	(3,920,338)	(2,272)
Proceeds from sale of non-current financial assets		–	1,654	–	71
Purchase of current financial assets		(21,078)	(151,467)	(21,078)	(151,467)
Proceeds from sale of current financial assets		57,064	978,356	57,064	978,356
Net cash (used in)/generated from investing activities		(7,474,177)	689,368	6,324,083	10,129,054
Cash flow from financing activities					
Ordinary dividends paid	22	(10,218,828)	(6,626,078)	(10,218,828)	(6,626,078)
Purchase and cancellation of own shares		(1,165,789)	–	(1,165,789)	–
Purchase of own shares by employee share option trust		(1,234,621)	(981,027)	(1,234,621)	(981,027)
Proceeds from sale of own shares by employee share option trust		515,186	637,799	515,186	637,799
Capital from non-controlling interest		3,150,599	–	–	–
Net cash used in financing activities		(8,953,453)	(6,969,306)	(12,104,052)	(6,969,306)
Net (decrease)/increase in cash and cash equivalents		(6,119,849)	5,821,632	(82,304)	45,974
Cash and cash equivalents at start of period		19,704,111	13,936,558	225,806	180,938
Cash held in funds*		217,091	–	–	–
Effect of exchange rate changes		11,736	(54,079)	3,334	(1,106)
Cash and cash equivalents at end of period		13,813,089	19,704,111	146,836	225,806

* Cash held in REIT funds consolidated on a net asset basis.

City of London Investment Group PLC (the "Company") is a public limited company which listed on the London Stock Exchange on 29th October 2010 and is domiciled and incorporated in the United Kingdom under the Companies Act 2006.

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group financial statements have been prepared under the historical cost convention, except for certain financial assets held by the Group that are reported at fair value. The Group and Company financial statements have been prepared on a going concern basis.

New or amended accounting standards and interpretations

The Group has adopted all the new or amended accounting standards and interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period. Any new or amended accounting standards that are not mandatory have not been early adopted.

IFRS 9 Financial Instruments

The Group adopted IFRS 9 from 1st July 2018. This standard replaces the classification and measurement models for financial instruments in IAS 39 with three classification categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income and two classification categories for financial liabilities: amortised cost or fair value through profit and loss. The Group's business model and contractual cash flows arising from its investments in financial instruments determine the classification. Equity instruments will be recorded at fair value, with gains or losses reported either in the income statement or through equity. However, where fair value gains and losses are recorded through equity there will no longer be a requirement to transfer gains or losses to the Income statement on impairment or disposal.

IFRS 9 also introduces an expected credit loss model for the assessment of impairment. Under the expected credit loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event.

IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 from 1st July 2018. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The Group has applied the cumulative catch up approach and therefore prior comparatives have not been restated. Any adjustments arising on transition are recognised in opening equity. As a result the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The impact on the financial performance and position of the Group from the adoption of these standards is detailed in note 4.

The following standard is relevant to the Group but is not yet mandatory:

IFRS 16 Leases

The standard requires a lessee to recognise lease assets and liabilities, currently accounted for as operating leases, on the statement of financial position and recognise amortisation of the lease assets and interest on the lease liabilities over the term of the lease. On transition, a lessee may elect not to apply the requirements to leases for which the lease term ends within 12 months of the date of initial application.

This standard is effective for annual periods beginning on or after 1st January 2019, so applicable to the Group from 1st July 2019. One of the Group's leases will expire within 12 months from the date of initial application of the standard and therefore on transition the Group will continue to account for it as an operating lease until such time it expires. For those leases that will be recognised as a right-of-use asset and related lease liability, the Group estimates the discounted value of those lease commitments to be approximately £2.3 million based on current discount values and foreign exchange rates.

No other standards or interpretations issued and not yet effective are expected to have an impact on the Group's consolidated financial statements.

1 BASIS OF PREPARATION CONTINUED

Accounting estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Whilst estimates are based on management's best knowledge and judgement using information and financial data available to them, the actual outcome may differ from those estimates.

The most significant area of the financial statements that are subject to the use of estimates and assumptions are noted below:

Share-based payments

Share-based payments relate to equity settled awards and are based on the fair value of those awards at the date of grant.

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group is required to estimate the fair value of the EIP awards due to be granted in October 2019. This cost is estimated during the financial year and at the point when the actual award is made the share-based payment charge is re-calculated and any difference is taken to the profit or loss. Further details are provided in note 24.

2 BASIS OF CONSOLIDATION

These financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings. The Group's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by the Group's ability to exercise its power in order to affect any variable returns that the Group is exposed to through its involvement with the entity.

When assessing whether to consolidate an entity, the Group evaluates a range of control factors as defined under IFRS 10, namely:

- the purpose and design of the entity
- the relevant activities and how these are determined
- whether the Group's rights result in the ability to direct the relevant activities
- whether the Group has exposure or rights to variable returns
- whether the Group has the ability to use its power to affect the amount of its returns

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The Group's subsidiary undertakings as at 30th June 2019 are detailed below:

City of London Investment Group PLC holds a controlling interest in the following:

Subsidiary undertakings	Activity	Controlling interest	Country of incorporation
City of London Investment Management Company Limited	Management of funds	100%	UK
City of London US Investments Limited	Holding company	100%	UK
Emerging Markets REIT Fund *	Delaware Statutory Trust Fund	52%**	USA
International REIT Fund *	Delaware Statutory Trust Fund	100%**	USA

City of London Investment Management Company Limited holds 100% of the ordinary shares in the following:

City of London Investment Management (Singapore) PTE Ltd	Management of funds		Singapore
City of London Latin America Limited	Dormant company		UK

City of London US Investments Limited holds 100% of the ordinary shares in the following:

City of London US Services Limited	Service company		UK

* Emerging Markets REIT Fund and International REIT Fund, both have a year-end of 31st December. As both of these funds have a financial year end that differs from that of the Company, they are consolidated based on their net asset value as at 30th June 2019.
** Controlling interest is based on the interest held directly and with a related party.

The registered address of all the UK incorporated companies is 77 Gracechurch Street, London EC3V 0AS. The registered office for the two REIT funds is 4005 Kennett Pike, Suite 250, Greenville, DE 19807, USA. The registered address of City of London Investment Management Company (Singapore) PTE Ltd is 20 Collyer Quay, #10-04, Singapore 049319.

2 BASIS OF CONSOLIDATION CONTINUED

City of London Latin America Limited is dormant and as such is not subject to audit.

The consolidated financial statements are prepared on the historical cost basis except for the revaluation of certain financial instruments as outlined in note 3 (iii).

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below and have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(i) Property and equipment

For all property and equipment depreciation is calculated to write off their cost to their estimated residual values by equal annual instalments over the period of their estimated useful lives, which are considered to be:

Short leasehold property improvements	–	over the remaining life of the lease
Furniture and equipment	–	4 to 10 years
Computer and telephone equipment	–	4 to 10 years

(ii) Intangible assets

Intangible assets are capitalised at cost and amortised on a straight line basis over the estimated useful life of the asset. The Group's only intangible assets are computer software licences, which are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs include directly attributable overheads.

The estimated useful lives range from 4 to 10 years.

The assets are reviewed for impairment each year.

Software integral to a related item of hardware equipment is accounted for as property and equipment.

Costs associated with maintaining computer software programs are recognised as an expense when they are incurred.

(iii) Financial instruments

On 1st July 2018 the group adopted IFRS 9 'Financial instruments' which replaced IAS 39 Financial Instruments 'recognition and measurement' and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected loss credit model as opposed to an incurred loss methodology as under IAS 39.

Under IFRS 9 financial assets must be classified as either:

- Amortised at cost
- At fair value through the profit or loss or
- At fair value through other comprehensive income

Financial liabilities must be classified at fair value through profit or loss or at amortised cost.

The Group's investments in securities and derivatives are classified as financial assets or liabilities at fair value through profit or loss. Such investments are initially recognised at fair value, and are subsequently remeasured at fair value, with any movement recognised in the income statement. The fair value of the derivatives held by the Group is determined as follows:

Shares	–	priced using the quoted market mid price*
Options	–	priced using the quoted market bid price
Forward currency trades	–	priced using the forward exchange bid rates from Bloomberg

* The funds managed by the Group are valued at the mid price in accordance with US GAAP. Therefore, where the Group has identified investments in those funds as subsidiaries, the fair value consolidated is the net asset values as provided by the administrator of the funds. The underlying investments in these funds are liquid companies with a small bid-ask spread.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The consolidated Group assesses and would recognise a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

IFRS 9 also introduces an expected credit loss model for the assessment of impairment. Under the expected credit loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. This model is applicable to assets amortised at cost or at fair value through other comprehensive income. The assets on the Group's balance sheet to which the expected loss applies to are fees receivable. At the end of each reporting period, the Group assesses whether the credit risk of these trade receivables has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with an original maturity of three months or less from inception, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(v) Trade payables

Trade payables are measured at initial recognition at fair value and subsequently measured at amortised cost.

(vi) Current and deferred taxation

The Group provides for current tax according to the tax regulations in each jurisdiction in which it operates, using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, deferred tax is not accounted for if it arises from goodwill or the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the accounting nor the taxable profit or loss.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. The tax rates used are those that have been enacted, or substantively enacted, by the end of the reporting period. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly as part of other comprehensive income, in which case the deferred tax is also dealt with as part of other comprehensive income. For share-based payments, where the estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the excess deferred tax is recognised directly in equity.

(vii) Share-based payments

The Company operates an Employee Incentive Plan (EIP) which is open to all employees in the Group. Awards are made to participating employees over shares under the EIP where they have duly waived an element of their annual profit-share before the required waiver date, in general before the start of the relevant financial year.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Awards are made up of two elements: Deferred Shares and Bonus Shares. The Deferred Shares represent the waived profit-share and the Bonus Shares represent the additional award made by the Company as a reward for participating in the EIP. Awards will vest (i.e. no longer be forfeitable) over a three year period with one-third vesting each year.

The full cost of the Deferred Shares is recognised in the year to which the profit-share relates. The value of the Bonus Shares is expensed on a straight line basis over the period from the date the employees elect to participate to the date that the awards vest. This cost is estimated during the financial year and at the point when the actual award is made, the share-based payment charge is re-calculated and any difference is taken to the profit or loss.

Prior to the implementation of the EIP, the Company operated an Employee Share Option Plan. The fair value of the employee services received in exchange for share options is recognised as an expense. The fair value has been calculated using the Binomial pricing model, and has then been expensed on a straight line basis over the vesting period, based on the Company's estimate of the number of shares that will actually vest. At the end of the three year period when the actual number of shares vesting is known, the share-based payment charge is re-calculated and any difference is taken to the profit or loss.

(viii) Revenue recognition

Revenue is recognised within the financial statements based on the services that are provided in accordance with current investment management agreements (IMAs). The fees are charged as a percentage of Funds under Management. The performance obligations encompassed within these agreements are based on daily/monthly asset management of funds. The Group has an enforceable right to the payment of these fees for services provided, in accordance with the underlying IMAs.

For each contract, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of services promised.

(ix) Commissions payable

A portion of the Group's revenue is subject to commission's payable under third party marketing agreements. Commissions payable are recognised in the same period as the revenue to which they relate.

(x) Foreign currency translation

Foreign currency transactions are translated using the exchange rates prevailing at the transaction date. Monetary assets held in a currency other than the functional currency are translated at the end of each financial period at the period end closing rates.

The functional currency of the Group's main trading subsidiaries, City of London Investment Management Company Limited and City of London US Services Limited, is US dollars. The functional currency of City of London Investment Group PLC (the "Company") is sterling. The Group uses sterling as the presentation currency. Under IAS 21 this means that exchange differences caused from translating the functional currency to presentational currency for the main trading subsidiaries would be recognised in equity. However, the Group operates a policy whereby it manages the exposure of foreign exchange positions of its subsidiaries monetary assets through its inter-company accounts. Any gains or losses are recognised within the Company's own income statement. Therefore, on consolidation there are no exchange differences arising from the translation of monetary items from the subsidiaries functional currency to its presentational currency. This means that all such exchange differences are included in the income statement and no split is required between other comprehensive income and the income statement. The subsidiaries translate the non-monetary assets at the period end rate and any movement is reflected in other comprehensive income.

(xi) Leases

The cost of operating leases is charged to the income statement in equal periodic instalments over the period of the leases.

(xii) Pensions

The Group operates defined contribution pension schemes covering the majority of its employees. The costs of the pension schemes are charged to the income statement as they are incurred. Any amounts unpaid at the end of the period are reflected in other creditors.

4 IMPACT DUE TO CHANGES IN ACCOUNTING POLICIES

Adoption of IFRS 9 Financial Instruments

As explained in note 1, the Group has adopted IFRS 9 which resulted in a change in accounting policies and adjustments to the amount recognised in the financial statements.

In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities.

Classification and measurement of financial instruments

The Group has assessed that its investment in funds that it manages and designated as available for sale financial assets (AFS) under IAS 39, where any gains or losses on the changes in their fair value which were included in other comprehensive income (FVOCI), no longer meet this criteria with the adoption of IFRS 9. The new standards concept is that financial assets should be classified and measured at fair value, with changes in fair values recognised in the profit and loss (FVTPL) as they arise.

The total impact on the Group's equity due to the reclassification and measurement of financial instruments as at 1st July 2018 is as follows:

	Note	Effect on fair value reserve £	Effect on retained earnings £
Closing balance IAS 39 as at 30th June 2018		13,731	22,537,076
Reclassify investments from FVOCI to FVTPL	a	(13,731)	13,731
Opening balance – IFRS 9 as at 1st July 2018		–	22,550,807

On 1st July 2018, the Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets	Note	Loans and receivables £	Amortised cost £	FVTPL £	Available for sale FVOCI £	Total financial assets £
Closing balance – IAS 39 as at 30th June 2018		24,836,049	–	195,112	38,170	25,069,331
Reclassify loans and receivables to amortised cost		(24,836,049)	24,836,049	–	–	–
Reclassify investments from AFS FVOCI to FVTPL	a	–	–	38,170	(38,170)	–
Opening balance – IFRS 9 as at 1st July 2018		–	24,836,049	233,282	–	25,069,331

Note

a: Investments in own funds were reclassified from FVOCI to FVTPL (£38,170). Related fair value gains of £13,731 (net of deferred tax) were transferred from the available for sale fair value reserve to retained earnings on 1st July 2018.

4 IMPACT DUE TO CHANGES IN ACCOUNTING POLICIES CONTINUED

Reclassification of financial assets and liabilities on adoption of IFRS 9

On the date of initial application, 1st July 2018, the financial assets and liabilities of the Group were as follows with any reclassifications noted:

	Classification category		Carrying amount	
	Original – IAS 39	New – IFRS 9	£	£
Non-current financial assets				
Investment in own funds	FVOCI	FVTPL	38,170	38,170
Current financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	5,131,938	5,131,938
Listed investments	FVTPL	FVTPL	195,112	195,112
Cash and cash equivalents	Loans and receivables	Amortised cost	19,704,111	19,704,111
Current financial liabilities				
Trade and other payables	FVTPL	FVTPL	264,790	264,790
Financial liabilities	Loans and receivables	Amortised cost	4,413,011	4,413,011

The impact of the above changes have been reflected in the opening balance of the financial position of the consolidated entity at 1st July 2018 as the cumulative catch up approach has been applied. No adjustments have been made to the prior year reported numbers.

As at 30th June 2018, there were no impairment losses recorded in relation to the financial assets of the Group. The introduction of the expected credit loss model for the assessment of impairment does not have any impact on the Group's results.

Company

The total impact on the Company's equity due to the reclassification and measurement of financial instruments as at 1st July 2018 is as follows:

	Note	Effect on fair value reserve £	Effect on retained earnings £
Closing balance IAS 39 as at 30th June 2018		13,731	14,249,565
Reclassify investments from AFS FVOCI to FVTPL	a	(13,731)	13,731
Opening balance – IFRS 9 as at 1st July 2018		–	14,263,296

4 IMPACT DUE TO CHANGES IN ACCOUNTING POLICIES CONTINUED

Reclassification of the Company's financial assets under IFRS 9 are as follows:

Financial assets	Note	Investment in subsidiaries £	Loans and receivables £	Amortised cost £	FVTPL £	Available for sale FVOCI £	Total financial assets £
Closing balance – IAS 39 as at 30th June 2018		1,031,760	14,353,342	–	195,112	38,170	15,618,384
Reclassify loans and receivables to amortised cost		–	(14,353,342)	14,353,342	–	–	–
Reclassify investments from AFS FVOCI to FVTPL	a	–	–	–	38,170	(38,170)	–
Opening balance – IFRS 9 as at 1st July 2018		**1,031,760**	**–**	**14,353,342**	**233,282**	**–**	**15,618,384**

Note

a: Investments in own funds were reclassified from FVOCI to FVTPL (£38,170). Related fair value gains of £13,731 (net of deferred tax) were transferred from the available for sale fair value reserve to retained earnings on 1st July 2018.

Reclassification of financial assets and liabilities on adoption of IFRS 9

On the date of initial application, 1st July 2018, the financial assets and liabilities of the Company were as follows with any reclassifications noted:

	Classification category		Carrying amount	
	Original – IAS 39	New – IFRS 9	£	£
Non-current financial assets				
Investment in own funds	FVOCI	**FVTPL**	1,069,930	**1,069,930**
Current financial assets				
Trade and other receivables	Loans and receivables	**Amortised cost**	14,127,536	**14,127,536**
Listed investments	FVTPL	**FVTPL**	195,112	**195,112**
Cash and cash equivalents	Loans and receivables	**Amortised cost**	225,806	**225,806**
Current financial liabilities				
Trade and other payables	FVTPL	**FVTPL**	2,579	**2,579**
Financial liabilities	Loans and receivables	**Amortised cost**	3,752,976	**3,752,976**

The impact of the above changes have been reflected in the opening balance of the financial position of the Company at 1st July 2018 as the cumulative catch up approach has been applied. No adjustments have been made to the prior year reported numbers.

On adoption of IFRS 9 and at the reporting date, the expected loss model did not change the carrying values of the Group's assets.

Adoption of IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 with effect from 1st July 2018. Following the standard's five stage approach in determining how and when to recognise revenue there is no material impact on the Group's results or a material change to the estimation of management fees.

5 SEGMENTAL ANALYSIS

The Directors consider that the Group has only one reportable segment, namely asset management, and hence only analysis by geographical location is given.

	USA £	Canada £	UK £	Europe (ex UK) £	Other £	Total £
Year to 30th June 2019						
Gross fee income	29,577,509	1,035,215	379,197	941,308	–	31,933,229
Non-current assets:						
Property and equipment	255,493	–	381,726	–	32,829	670,048
Intangible assets	160,422	–	33,043	–	–	193,465
Year to 30th June 2018						
Gross fee income	31,334,283	968,724	453,443	1,174,396	–	33,930,846
Non-current assets:						
Property and equipment	324,324	–	85,907	–	40,010	450,241
Intangible assets	244,704	–	47,333	–	–	292,037

The Group has classified its fee income based on the domicile of its clients and non-current assets based on where the assets are held. Any individual client generating revenue of 10% or more would be disclosed separately, as would assets in a foreign country if they were material.

6 EMPLOYEES

(a) Average number of persons employed by the Group in the period:	Year to 30th June 2019 Number	Year to 30th June 2018 Number
Investment Management/Research	30	28
Performance and Attribution	4	4
Business Development/Marketing	4	3
Client Services	7	7
Administration, Accounts and Settlements	28	31
	73	73

(b) The aggregate employment costs of staff and Directors were:	Year to 30th June 2019 £	Year to 30th June 2018 £
Wages and salaries	6,571,672	5,886,843
Profit sharing payments	5,111,137	5,761,332
Social security costs	1,070,638	800,018
Defined contribution pension costs	762,836	687,312
EIP-related charges	800,069	520,210
Share options (credit)/charge	(1,757)	13,695
Other staff costs	475,159	397,447
	14,789,754	14,066,857

7 DIRECTORS

Directors' emoluments comprise:	Year to 30th June 2019 £	Year to 30th June 2018 £
Emoluments (excluding pension contributions and awards under share option schemes)	2,550,029	2,757,907
EIP participation	146,667	355,495
Social security costs	181,696	194,290
Pension contributions	112,006	105,530
Health insurance	13,012	13,894
EIP-related charges	301,045	205,682
Share option charge	–	5,757
Gains on exercise of share options	24,725	3,050

	Year to 30th June 2019 Number	Year to 30th June 2018 Number
Number of Directors on whose behalf pension contributions were paid during the period	4	4
Number of Directors who exercised share options during the period	2	1

Highest paid Director's remuneration:	Year to 30th June 2019 £	Year to 30th June 2018 £
Emoluments (excluding pension contributions and awards under share option schemes)	904,240	1,071,707
EIP participation	–	–
Pension contributions	34,782	33,407
Health insurance	2,809	3,532

(1) Although the regulations only require us to report taxable benefits we have included all health insurance.

Further details relating to Directors' emoluments can be found in the Remuneration report on pages 48 to 62.

8 OPERATING PROFIT

The operating profit is arrived at after charging:	Year to 30th June 2019 £	Year to 30th June 2018 £
Depreciation of owned assets	204,601	200,332
Amortisation of intangible assets	101,844	94,467
Auditors' remuneration:		
– Statutory audit	88,016	89,399
– Audit related assurance services	9,050	8,348
– (Over)/Under-accrual of prior year audit fees	(6,417)	1,276
Operating lease rentals:		
– Land and buildings	444,936	434,469

9 INTEREST RECEIVABLE AND SIMILAR GAINS

	Year to 30th June 2019 £	Year to 30th June 2018 £
Interest on bank deposit	87,749	47,105
Unrealised gain on investments	848,652	298,534
Unrealised loss on hedging investments	(43,788)	(89,753)
Interest receivable on restated US state tax returns	1,118	8,615
	893,731	264,501

10 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge on ordinary activities:	Year to 30th June 2019 £	Year to 30th June 2018 £
Tax at 19% (2018: 19%) based on the profit for the period	2,042,012	2,465,715
Double taxation relief	(677,912)	(853,093)
Deferred tax on share options and investments	52,798	(79,552)
Adjustments in respect of prior years	76,279	(11,818)
Domestic tax total	1,493,177	1,521,252
Foreign tax for the current period	902,276	1,195,561
Deferred Tax on EIP	(300,825)	–
Adjustments in respect of prior years	257,647	15,339
Foreign tax total	859,098	1,210,900
Total tax charge in income statement	2,352,275	2,732,152

10 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES CONTINUED

(b) Factors affecting tax charge for the current period:

The tax assessed for the period is different to that resulting from applying the standard rate of corporation tax in the UK – 19% (prior year – 19%). The differences are explained below:

	Year to 30th June 2019 £	Year to 30th June 2018 £
Profit on ordinary activities before tax	11,397,559	12,792,495
Tax at 19% (2018: 19%) thereon	(2,165,536)	(2,430,574)
Effects of:		
Unrelieved overseas tax	(224,364)	(342,468)
Expenses not deductible for tax purposes	(6,732)	(11,757)
Gains not eligible for tax	160,031	–
Capital allowances more than/(less than) depreciation	22,306	(38,884)
Prior period adjustments	(333,926)	(3,521)
Deferred tax on share based payments and investments	248,027	79,552
Other	(52,081)	15,500
Total tax charge in income statement	(2,352,275)	(2,732,152)

11 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the parent for the period of £8,798,910 (2018: £10,060,343) divided by the weighted average number of ordinary shares in issue for the period ended 30th June 2019 of 25,203,147 (2018: 25,456,382).

As set out in the Directors' report on page 38, the Employee Benefit Trust held 1,532,548 ordinary shares in the Company as at 30th June 2019. The Trustees of the Trust have waived all rights to dividends associated with these shares. In accordance with IAS 33 the ordinary shares held by the Employee Benefit Trust have been excluded from the calculation of the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the parent for the period of £8,798,910 (2018: £10,060,343) divided by the diluted weighted average number of ordinary shares for the period ended 30th June 2019 of 25,816,823 (2018: 25,617,939).

Reconciliation of the figures used in calculating basic and diluted earnings per share:

	30th June 2019 Number of shares	30th June 2018 Number of shares
Weighted average number of shares – basic earnings per share	25,203,147	25,456,382
Effect of dilutive potential shares – share options	84,514	161,557
Effect of share awards under the EIP	529,162	–
Weighted average number of shares – diluted earnings per share	25,816,823	25,617,939

12 PROPERTY AND EQUIPMENT

	30th June 2019				30th June 2018			
	Furniture and equipment £	Computer and telephone equipment £	Short leasehold improve-ments £	Total £	Furniture and equipment £	Computer and telephone equipment £	Short leasehold improve-ments £	Total £
Group								
Cost								
At start of period	259,780	1,955,969	707,222	2,922,971	263,062	1,893,990	696,826	2,853,878
Currency translation	4,353	(11,984)	16,892	9,261	(1,946)	(4,014)	(5,600)	(11,560)
Additions	175,019	146,817	99,720	421,556	822	86,246	15,996	103,064
Disposals	(54,491)	(495,750)	(173,144)	(723,385)	(2,158)	(20,253)	–	(22,411)
At close of period	384,661	1,595,052	650,690	2,630,403	259,780	1,955,969	707,222	2,922,971
Accumulated depreciation								
At start of period	251,134	1,715,243	506,353	2,472,730	243,576	1,594,519	455,009	2,293,104
Currency translation	5,253	(14,271)	15,427	6,409	(260)	953	1,012	1,705
Charge for the period	19,515	152,451	32,635	204,601	9,976	140,024	50,332	200,332
Disposals	(54,491)	(495,750)	(173,144)	(723,385)	(2,158)	(20,253)	–	(22,411)
At close of period	221,411	1,357,673	381,271	1,960,355	251,134	1,715,243	506,353	2,472,730
Net book value								
At close of period	163,250	237,379	269,419	670,048	8,646	240,726	200,869	450,241
Company								
Cost								
At start of period	120,557	643,134	289,059	1,052,750	122,715	603,923	282,031	1,008,669
Additions	165,136	129,263	97,406	391,805	–	54,766	7,028	61,794
Disposals	(50,322)	(285,556)	(173,144)	(509,022)	(2,158)	(15,555)	–	(17,713)
At close of period	235,371	486,841	213,321	935,533	120,557	643,134	289,059	1,052,750
Accumulated depreciation								
At start of period	120,295	519,471	287,067	926,833	121,976	478,043	261,133	861,152
Charge for the period	10,425	84,634	8,108	103,167	477	56,983	25,934	83,394
Disposals	(50,322)	(285,556)	(173,144)	(509,022)	(2,158)	(15,555)	–	(17,713)
At close of period	80,398	318,549	122,031	520,978	120,295	519,471	287,067	926,833
Net book value								
At close of period	154,973	168,292	91,290	414,555	262	123,663	1,992	125,917

13 INTANGIBLE ASSETS

	30th June 2019 Long-term software licences £	30th June 2018 Long-term software licences £
Group		
Cost		
At start of period	718,958	694,365
Currency translation	26,636	(9,247)
Additions	–	33,840
At close of period	745,594	718,958
Amortisation charge		
At start of period	426,921	334,082
Currency translation	23,364	(1,628)
Charge for the period	101,844	94,467
At close of period	552,129	426,921
Net book value		
At close of period	193,465	292,037
Company		
Cost		
At start of period	57,162	23,322
Additions	–	33,840
At close of period	57,162	57,162
Amortisation charge		
At start of period	9,829	2,915
Charge for the period	14,290	6,914
At close of period	24,119	9,829
Net book value		
At close of period	33,043	47,333

14 OTHER FINANCIAL ASSETS (NON-CURRENT)

	30th June 2019			30th June 2018		
Group	Unlisted investments £	Listed investments £	Total £	Unlisted investments £	Listed investments £	Total £
Cost						
At start of period	38,170	–	38,170	34,660	–	34,660
Additions	–	7,088,847	7,088,847	3,449	–	3,449
Disposals	–	–	–	(803)	–	(803)
Fair value gains	6,305	566,169	572,474	864	–	864
At close of period	44,475	7,655,016	7,699,491	38,170	–	38,170

14 OTHER FINANCIAL ASSETS (NON-CURRENT) CONTINUED

Company	30th June 2019 Unlisted investments £	Investment in subsidiary undertakings £	Total £	30th June 2018 Unlisted investments £	Investment in subsidiary undertakings £	Total £
Cost						
At start of period	38,170	1,031,760	1,069,930	33,194	800,911	834,105
Additions	–	4,132,686	4,132,686	3,449	279,774	283,223
Disposals	–	(40,359)	(40,359)	(45)	(48,925)	(48,970)
Fair value gains recognised in other comprehensive income	6,305	–	6,305	1,572	–	1,572
At close of period	44,475	5,124,087	5,168,562	38,170	1,031,760	1,069,930

The additions and disposals in investments in subsidiary undertakings reflect the allocation of share-based payments from the Company to its subsidiaries under IFRS 2. Also included in the additions are the Company's seed investments in the two new REIT funds.

All Group companies are listed in note 2 on page 74.

15 DEFERRED TAX ASSET

	Share-based payments Group £	Company £
At 30th June 2017	216,693	64,719
Credit to income	2,815	578
Debit to equity	(100,430)	(25,286)
At 30th June 2018	119,078	40,011
Credit to income	361,247	22,470
Debit to equity	(100,091)	(35,460)
At 30th June 2019	380,234	27,021

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30th June 2019 £	30th June 2018 £	30th June 2019 £	30th June 2018 £
Trade receivables	107,502	34,439	–	–
Accrued income	4,993,722	4,974,624	–	–
Amounts owed by Group undertakings	–	–	8,577,941	14,052,769
Other receivables	159,312	122,875	78,267	74,767
Prepayments	718,912	701,222	342,678	269,730
	5,979,448	5,833,160	8,998,886	14,397,266

17 OTHER FINANCIAL ASSETS (CURRENT)

Group and Company	30th June 2019 £	30th June 2018 £
Listed investments at market value		
At start of period	195,112	135,547
Additions	21,078	151,467
Disposals	(57,064)	–
Fair value losses	(32,372)	(91,902)
At close of period	126,754	195,112
Listed investments at cost	256,931	305,281

18 TRADE AND OTHER PAYABLES

	Group		Company	
	30th June 2019 £	30th June 2018 £	30th June 2019 £	30th June 2018 £
Trade payables	15,407	18,733	–	–
Sundry payables	103,016	267,369	1,545	2,579
Amounts owed to Group undertakings	–	–	2,162,286	2,231,033
Other taxation and social security	131,808	123,632	108,155	87,516
Accruals and deferred income	5,516,253	4,391,699	2,274,437	1,521,943
	5,766,484	4,801,433	4,546,423	3,843,071

19 DEFERRED TAX LIABILITY

Group and Company	Group £	Company £
At 30th June 2017	115,774	115,774
Increase due to gain in fair value of available-for-sale investments	398	265
Released on disposal of available-for-sale investments	(112,951)	(112,818)
At 30th June 2018	3,221	3,221
Increase due to gain in fair value of other financial assets	113,220	–
At 30th June 2019	**116,441**	**3,221**

20 SHARE CAPITAL

Group and Company	30th June 2019 £	30th June 2018 £
Allotted, called up and fully paid		
At start of period 26,861,707 (2018: 26,861,707) Ordinary shares of 1p each	268,617	268,617
Shares repurchased and cancelled 301,000 (2018: Nil)	(3,010)	–
At end of period 26,560,707 (2018: 26,861,707) Ordinary shares of 1p each	265,607	268,617

The share capital represents the nominal value of shares that have been issued. Fully paid ordinary shares carry one vote per share and carry a right to dividends.

21 RESERVES

Share premium account – used to record the issue of share capital at a premium to nominal value.

Investments in own shares – balance with trustees in relation to employee benefit schemes.

Fair value reserve – records fair value changes on available for sale investments until the investments are derecognised or impaired, when fair value movement is transferred to retained profit.

Share option reserve – provision for outstanding options in relation to employee share option scheme.

EIP share reserve – provision for Company contribution to EIP employee benefit scheme.

Foreign exchange reserve – records exchange differences arising from the translation of non-monetary assets.

Capital redemption reserve – created on the cancellation of share capital and reflects the value of share capital redeemed by the Company.

Retained earnings – includes all current and prior year retained profits and losses.

22 DIVIDEND

	30th June 2019 £	30th June 2018 £
Dividends paid:		
Interim dividend of 9p per share (2018: 9p)	2,270,070	2,295,452
Special dividend 13.5p per share (2018: nil)	3,405,105	–
Final dividend in respect of year ended:		
30th June 2018 of 18p per share (2017: 17p)	4,543,653	4,330,626
	10,218,828	6,626,078

A final dividend of 18p per share has been proposed, payable on 29th October 2019, subject to shareholder approval, to shareholders who are on the register of members on 11th October 2019.

23 OPERATING LEASE COMMITMENTS

At 30th June 2019 the Group had the following commitments for future minimum lease payments under non-cancellable operating leases:

	Group		Company	
	Land and buildings 30th June 2019 £	Land and buildings 30th June 2018 £	Land and buildings 30th June 2019 £	Land and buildings 30th June 2018 £
Within one year	423,153	223,877	212,649	12,026
In the second to fifth years inclusive	701,170	223,304	637,946	–
After five years	–	–	–	–
	1,124,323	447,181	850,595	12,026

Operating lease payments relating to land and buildings represent rents payable by the Group for its various offices. The Group enters into formal occupational property leases ranging from one to ten years.

24 SHARE-BASED PAYMENTS

(a) All share options granted are equity settled and fully vested. The number and weighted average exercise price of share options for each of the following groups is as follows:

	Year to 30th June 2019		Year to 30th June 2018	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at the beginning of the period	803,480	3.37	1,062,342	3.27
Forfeited during the period	8,125	2.81	38,375	3.37
Exercised during the period	164,605	3.13	220,487	2.89
Outstanding at the end of the period	630,750	3.44	803,480	3.37
Exercisable at the end of the period	630,750	3.44	803,480	3.37
The weighted average share price at the date of exercise for share options exercised during the period was		4.06		4.27

The total share-based payment for the period is a credit of £1,757 (2018: charge of £13,695). For outstanding share options the exercise price ranged between £2.55 and £4.03 (2018: between £2.30 and £4.03), and their weighted average contractual life was 3.7 years (2018: 4.7 years).

(b) The Group introduced an Employee Incentive Plan (EIP) in 2016/17 which is open to employees of all Group companies and executive Directors, details of the EIP can be found in the Directors' Remuneration Report.

Awards are made to participating employees over shares under the EIP where they have duly waived an element of their annual bonus before the required waiver date.

Awards under the EIP are made up of two elements: Deferred Shares and Bonus Shares. The Deferred Shares represent the waived bonus and the Bonus Shares represent the additional award made by the Company as a reward for participating in the EIP.

The Deferred Shares are treated as cash settled and the full cost is recognised in the income statement in the year of service. The Bonus Shares are treated as equity settled and as such their estimated fair value is spread over the period from the time the employee elects to participate, to when the Award vests (i.e. no longer forfeitable). This will be recalculated when the Awards are granted and any amount under or over the estimated value will be recognised through the income statement at that point in time. The estimated fair value of the Bonus Share awards is based on the cash equivalent at the time the employees elected to participate.

24 SHARE-BASED PAYMENTS CONTINUED

	Vesting date	Estimated charge £'000s	Actual charge £'000s	2016/17 £'000s	2017/18 £'000s	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	Total £'000s
Awards granted October 2017											
Bonus Shares tranche 1	Oct-18	177	194	49	111	34	–	–	–	–	194
Bonus Shares tranche 2	Oct-19	178	194	31	72	69	22	–	–	–	194
Bonus Shares tranche 3	Oct-20	177	193	22	53	51	51	16	–	–	193
		532	581	102	236	154	73	16	–	–	581
Awards granted October 2018											
Bonus Shares tranche 1	Oct-19	280	269	–	119	112	38	–	–	–	269
Bonus Shares tranche 2	Oct-20	280	269	–	84	78	81	26	–	–	269
Bonus Shares tranche 3	Oct-21	279	269	–	65	60	62	62	20	–	269
		839	807	–	268	250	181	88	20	–	807
Awards expected to be granted October 2019											
Bonus Shares tranche 1	Oct-20	212	–	–	–	91	91	30	–	–	212
Bonus Shares tranche 2	Oct-21	212	–	–	–	63	64	64	21	–	212
Bonus Shares tranche 3	Oct-22	212	–	–	–	49	49	49	49	16	212
		636	–	–	–	203	204	143	70	16	636
Total share-based payment charge				102	504	607	458	247	90	16	2,024

25 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company and its subsidiary undertakings carry out transactions with related parties as defined under IAS 24 Related Party Disclosures. Material transactions are set out below.

(i) Remuneration of key management personnel

The remuneration of the Directors who are the key management personnel of the Group is provided in the Remuneration report on page 52 and in note 7.

(ii) Summary of transactions and balances

During the period the Company received from its subsidiaries £9,141,471 (2018: £8,083,329) in respect of management service charges and dividends of £10,600,000 (2018: £9,400,000).

Amounts outstanding between the Company and its subsidiaries as at 30th June 2019 are given in notes 16 and 18.

M Dwyer, a Director of the Company, is also a Director of the World Markets Umbrella Fund plc, a fund managed by City of London Investment Management Company Ltd. The management fees earned by the Group during the year from this fund totalled £941,307 (2018: £1,174,396), with £84,948 (2018: £102,494) outstanding at the year end.

26 FINANCIAL INSTRUMENTS

The Group's financial assets include cash and cash equivalents, investments and other receivables. Its financial liabilities include accruals and other payables. The fair value of the Group's financial assets and liabilities is materially the same as the book value.

(i) Financial instruments by category

The tables below show the Group and Company's financial assets and liabilities as classified under IFRS 9:

Group

30th June 2019 Assets as per statement of financial position	Financial assets at amortised cost £	Assets at fair value through profit or loss £	Total £
Other financial assets	–	126,754	126,754
Other non-current financial assets	–	7,699,491	7,699,491
Trade and other receivables	5,260,536	–	5,260,536
Cash and cash equivalents	13,813,089	–	13,813,089
Total	19,073,625	7,826,245	26,899,870

Liabilities as per statement of financial position	Financial liabilities at amortised cost £	Liabilities at fair value through profit or loss £	Total £
Trade and other payables	5,538,759	95,917	5,634,676
Total	5,538,759	95,917	5,634,676

30th June 2018 Assets as per statement of financial position	Loans and receivables £	Assets at fair value through profit or loss £	Available-for-sale £	Total £
Other financial assets	–	195,112	38,170	233,282
Trade and other receivables	5,131,938	–	–	5,131,938
Cash and cash equivalents	19,704,111	–	–	19,704,111
Total	24,836,049	195,112	38,170	25,069,331

Liabilities as per statement of financial position	Financial liabilities at amortised cost £	Liabilities at fair value through profit or loss £	Total £
Trade and other payables	4,413,011	264,790	4,677,801
Total	4,413,011	264,790	4,677,801

26 FINANCIAL INSTRUMENTS CONTINUED

Company

30th June 2019 Assets as per statement of financial position	Loans and receivables £	Financial assets at amortised cost £	Assets at fair value through profit or loss £	Total £
Other financial assets	1,203,749	3,964,813	126,754	5,295,316
Trade and other receivables	–	8,656,208	–	8,656,208
Cash and cash equivalents	–	146,836	–	146,836
Total	1,203,749	12,767,857	126,754	14,098,360

Liabilities as per statement of financial position	Financial liabilities at amortised cost £	Liabilities at fair value through profit or loss £	Total £
Trade and other payables	4,438,268	–	4,438,268
Total	4,438,268	–	4,438,268

30th June 2018 Assets as per statement of financial position	Investment in subsidiaries £	Loans and receivables £	Assets at fair value through profit or loss £	Available-for-sale £	Total £
Other financial assets	1,031,760	–	195,112	38,170	1,265,042
Trade and other receivables	–	14,127,536	–	–	14,127,536
Cash and cash equivalents	–	225,806	–	–	225,806
Total	1,031,760	14,353,342	195,112	38,170	15,618,384

Liabilities as per statement of financial position	Financial liabilities at amortised cost £	Liabilities at fair value through profit or loss £	Total £
Trade and other payables	3,755,555	–	3,755,555
Total	3,755,555	–	3,755,555

(ii) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: fair value derived from inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

26 FINANCIAL INSTRUMENTS CONTINUED

The fair values of the financial instruments are determined as follows:

- Investments for hedging purposes are valued using the quoted bid price and shown under level 1.
- Investments in own funds are determined with reference to the net asset value (NAV) of the fund. Where the NAV is a quoted price the fair value is shown under level 1, where the NAV is not a quoted price the fair value is shown under level 2.
- Forward currency trades are valued using the forward exchange bid rates and are shown under level 2.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Group

30th June 2019	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other financial assets	126,754	–	–	126,754
Investment in other non-current financial assets	7,655,016	44,475	–	7,699,491
Total	7,781,770	44,475	–	7,826,245
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	95,917	–	95,917
Total	–	95,917	–	95,917

30th June 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	38,170	–	38,170
Total	–	38,170	–	38,170
Financial assets at fair value through profit or loss				
Investment in other financial assets	195,112	–	–	195,112
Total	195,112	–	–	195,112
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	264,790	–	264,790
Total	–	264,790	–	264,790

26 FINANCIAL INSTRUMENTS CONTINUED

Company

30th June 2019	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other financial assets	126,754	–	–	126,754
Investment in own funds*	–	3,964,813	–	3,964,813
Total	126,754	3,964,813	–	4,091,567

30th June 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other financial assets	195,112	–	–	195,112
Total	195,112	–	–	195,112
Available-for-sale financial assets				
Investment in own funds	–	38,170	–	38,170
Total	–	38,170	–	38,170

* The Group has initially applied IFRS 9 at 1st July 2018. Under the transition method chosen, comparative information has not been restated.

Level 3

Level 3 assets as at 30th June 2019 are nil (2018: nil).

The Fund establishes valuation processes and procedures to ensure that the valuation techniques for investments that are categorised within Level 3 of the fair value hierarchy are fair, consistent, and verifiable. The Group is responsible for overseeing the implementation of the valuation policies and procedures, which includes the valuation process of the Fund's Level 3 investments.

There were no transfers between any of the levels in the reporting period.

Where there is an impairment in the investment in own funds, the loss is reported in the income statement. No impairment was recognised during the period or the preceding year.

The fair value gain on the forward currency trades is offset in the income statement by the foreign exchange losses on other currency assets and liabilities held during the period and at the period end. The net loss reported for the period is £143,082 (2018: net profit £1,480).

(iii) Foreign currency risk

Almost all of the Group's revenues, and a significant part of its expenses, are denominated in currencies other than sterling, principally US dollars. These revenues are derived from fee income which is based upon the net asset value of accounts managed, and have the benefit of a natural hedge by reference to the underlying currencies in which investments are held. Inevitably, debtor and creditor balances arise which in turn give rise to currency exposure.

The Group assesses its hedging requirements and executes forward foreign exchange transactions so as to substantially reduce the Group's exposure to currency market movements. The level of forward currency hedging is such as is judged by the Directors to be consistent with market conditions.

26 FINANCIAL INSTRUMENTS CONTINUED

As at 30th June 2019, the Group had net asset balances of US$6,901,890 (2018: US$5,656,900), offset by forward sales totalling US$6,750,000 (2018: US$9,000,000). Other significant net asset balances were C$493,721 (2018: C$414,997), AED195,544 (2018: AED299,698), and SGD120,583 (2018: SGD249,673).

Had the US dollar strengthened or weakened against sterling as at 30th June 2019 by 10%, with all other variables held constant, the Group's net assets would have increased or decreased (respectively) by less than 1%, because the US dollar position is hedged by the forward sales.

(iv) Market risk

Changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income and the value of its investments.

Where the Group holds investments in its own funds categorised as unlisted investments, the market price risk is managed through diversification of the portfolio. A 10% increase or decrease in the price level of the funds' relevant benchmarks, with all other variables held constant, would not make a material increase or decrease in the value of the investments and profit before tax.

The Group's new REIT funds have been consolidated as controlled entities, and therefore the securities held by those funds are reported in the consolidated statement of financial position under investments. At 30th June 2019, all those securities were listed on a recognised exchange. A 10% increase or decrease in the price level of the securities would result in a gain or loss respectively of approximately £765,500, of which 57% would be attributable to the Group and 43% to the non-controlling interest.

The Group is also exposed to market risk indirectly via its assets under management, from which its fee income is derived. To hedge against potential losses in fee income, the Group may look to invest in securities or derivatives that should increase in value in the event of a fall in the markets. The purchase and sale of these securities are subject to limits established by the Board and are monitored on a regular basis. The investment management and settlement functions are totally segregated.

The loss from hedging recognised in the Group income statement for the period is £43,788 (2018: £89,753).

(v) Credit risk

The majority of debtors relate to management fees due from funds and segregated account holders. As such the Group is able to assess the credit risk of these debtors as minimal. For other debtors a credit evaluation is undertaken on a case by case basis.

The Group has zero experience of bad or overdue debts.

The majority of cash and cash equivalents held by the Group are with leading UK banks. The credit risk is managed by carrying out regular reviews of each institution's credit rating and of their published financial position. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(vi) Liquidity risk

The Group's liquidity risk is minimal because commission payable forms the major part of trade creditors, and payment is made only upon receipt of the related fee income plus the Group's strategy is to maximise its cash position. In addition, the Group's investments in funds that it manages can be liquidated immediately if required.

(vii) Interest rate risk

The Group has no borrowings, and therefore has no exposure to interest rate risk other than that which attaches to its interest earning cash balances and forward currency contracts. The Group's strategy is to maximise the amount of cash which is maintained in interest bearing accounts, and to ensure that those accounts attract a competitive interest rate. At 30th June 2019 the Group held £13,813,089 (2018: £19,704,111) in cash balances, of which £13,548,359 (2018: £19,523,996) was held in bank accounts which attract variable interest rates. The effect of a 100 basis points increase/decrease in interest rates on the Group's net assets would not be material.

26 FINANCIAL INSTRUMENTS CONTINUED

(viii) Capital risk management

The Group manages its capital to ensure that all entities within the Group are able to operate as going concerns and exceed any minimum externally imposed capital requirements. The capital of the Group and Company consists of equity attributable to the equity holders of the Parent Company, comprising issued share capital, share premium, retained earnings and other reserves as disclosed in the statement of changes in equity.

The Group's principal operating subsidiary company, City of London Investment Management Company Ltd is subject to the minimum capital requirements of the Financial Conduct Authority (FCA) in the UK. This subsidiary held surplus capital over its requirements throughout the period.

The Group is required to undertake an Internal Capital Adequacy Assessment Process (ICAAP), under which the Board quantifies the level of capital required to meet operational risks. The objective of this is to ensure that the Group has adequate capital to enable it to manage risks which are not adequately covered under the Pillar 1 requirements. This process includes stress testing for the effects of major risks, such as a significant market downturn, and includes an assessment of the Group's ability to mitigate the risks.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of City of London Investment Group PLC (the "Company") will be held at 77 Gracechurch Street, London EC3V 0AS on 21st October 2019 at 11.30 am to consider, and if thought fit, pass resolutions 1 to 16 as ordinary resolutions and resolutions 17 to 19 as special resolutions:

Ordinary business:

1. To receive and adopt the financial statements for the year ended 30th June 2019 together with the reports of the Directors and auditors thereon.

2. To approve the Annual report on remuneration for the year ended 30th June 2019.

3. To approve the Directors' remuneration policy report.

4. To declare a final dividend of 18p per ordinary share for the year ended 30th June 2019 payable on 29th October 2019.

5. To re-elect, as a Director of the Company, Barry A Aling, who retires in accordance with the Articles of Association of the Company and offers himself for re-election.

6. To re-elect, as a Director of the Company, Mark D Dwyer, who retires in accordance with the Articles of Association of the Company and offers himself for re-election.

7. To re-elect, as a Director of the Company, Thomas W Griffith, who retires in accordance with the Articles of Association of the Company and offers himself for re-election.

8. To re-elect, as a Director of the Company, Susannah E Nicklin, who retires in accordance with the Articles of Association of the Company and offers herself for re-election.

9. To re-elect, as a Director of the Company, Barry M Olliff, who retires in accordance with the Articles of Association of the Company and offers himself for re-election.

10. To re-elect, as a Director of the Company, Tracy A Rodrigues, who retires in accordance with the Articles of Association of the Company and offers herself for re-election.

11. To re-elect, as a Director of the Company, Jane M Stabile, who retires in accordance with the Articles of Association of the Company and offers herself for re-election.

12. To appoint, as a Director of the Company, Peter E Roth, who was appointed during the period and retires in accordance with the Company's Articles of Association and, being eligible, offers himself for re-appointment.

13. To re-appoint RSM UK Group LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.

14. To authorise the Board to determine the auditors' remuneration.

Special business:

15. THAT, in accordance with sections 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers conferred pursuant to Article 10 of the Company's Articles of Association to allot shares in the Company (which for this purpose includes grants of rights to subscribe for or to convert any security into shares) up to a maximum nominal amount of £88,536 (representing approximately one third of the Company's issued ordinary capital at the date of this notice), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2020 (whichever is earlier), save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted (or rights to be granted) and the Directors may allot shares (or grant rights) in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

    This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Companies Act 2006.

16. THAT, the trustees from time to time of the City of London Employee Benefit Trust (the "EBT") be and are hereby authorised to hold ordinary shares in the capital of the Company, for and on behalf of the ESOP and Employee Incentive Plan up to a maximum in aggregate equal to 10% of the issued ordinary share capital of the capital from time to time.

17. THAT, subject to the passing of resolution 15 and in accordance with section 570 and section 573 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers conferred pursuant to Article 10 of the Company's Articles of Association to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 15, as if the pre-emption provisions of section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities up to a maximum nominal amount of £13,280 (representing approximately 5% of the Company's issued ordinary capital at the date of this notice), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2020 (whichever is earlier) save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted (or rights to be granted) and the Directors may allot shares (or grant rights) in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

18. THAT, in accordance with section 701 of the Companies Act 2006, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of any of its ordinary shares of £0.01 (1p) provided that:

    (a) the maximum number of ordinary shares which may be purchased is 2,656,071 (representing approximately 10% of the Company's issued ordinary share capital at the date of this notice);

    (b) the minimum price which may be paid for each ordinary share is £0.01 (1p) which amount shall be exclusive of expenses, if any;

    (c) the maximum price, exclusive of any expenses, which may be paid for any ordinary share shall be higher of:
        (i) an amount equal to 105% of the average of the middle market quotations for the ordinary shares of the Company as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the date on which such ordinary share is contracted to be purchased; and
        (ii) the higher of the price quoted for
            (a) the last independent trade of; and
            (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out, and

    (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2020 (whichever is earlier),

    under this authority the Company may make a contract to purchase ordinary shares which would or might be executed wholly or partly after the expiry of this authority and may make purchases of ordinary shares pursuant to it as if this authority had not expired.

19. THAT with effect from the conclusion of the meeting the articles of association of the Company be amended by deleting article 156 and replacing it with the following new article 156:

    Without prejudice to Articles 125, 126 and 157, the Directors shall be entitled to receive by way of fees for their services as Directors (in addition to any amounts receivable under Article 125) such sum in aggregate as the Board may from time to time determine. Such sum shall be divided among the Directors in such proportions and in such manner as the Board may determine, or in default of such determination, equally (except that in such event any Director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to this Article shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provisions of these Articles and shall accrue from day to day.

By order of the Board

P A Keith
Company Secretary

12th September 2019

Registered office: 77 Gracechurch Street, London EC3V 0AS
Registered in England and Wales No 2685257

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. Information about this meeting is available on the Company's website – www.citlon.co.uk

2. A member entitled to receive notice, attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. Such proxy need not be a member of the Company. Completion of a form of proxy does not preclude the member attending the meeting and voting in person if they so wish. To be valid, the instrument appointing a proxy, together if appropriate, with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be deposited at the offices of the Company's registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or returned in the envelope provided no later than 11.30 am on 17th October 2019. A Form of Proxy accompanies this notice.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the annual general meeting (and for the purposes of the determination by the Company of the numbers of votes they may cast) is Close of Business on 17th October 2019.

4. The rights of members to attend and vote at the meeting will be determined by reference to entries on the register of members at Close of Business on 17th October 2019. Changes to entries on the register of members of the Company after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

5. The right to appoint a proxy does not apply to persons whose ordinary shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to instructions to the person holding the ordinary shares as to the exercise of voting rights.

6. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy, but the vote of the first named on the register of members will be accepted to the exclusion of the other joint holders.

7. The following documents are available for inspection between 10.00 am and 12.00 noon at the registered office of the Company on any weekday and will also be available for inspection at the place of the annual general meeting from the commencement of the meeting until the conclusion thereof:

   (a) The register of interests of the Directors (and their families) in the share capital of the Company.

   (b) Copies of the Directors' contracts of service and letters of appointment of the non-executive Directors.

   (c) Terms of reference of the Audit, Remuneration and Nomination Committees.

   (d) Copies of the Company's articles of association.

EXPLANATION OF THE BUSINESS OF THE ANNUAL GENERAL MEETING

Report and accounts (Resolution 1)
The first item on the agenda requires that the Directors must present the accounts of the Company for the year ended 30th June 2019, together with the Directors' report and the independent auditors' report thereon.

Annual report on remuneration (Resolution 2)
In line with regulations relating to the preparation and approval of a Directors' remuneration report, resolution 2 is to be proposed at the AGM. The resolution will provide shareholders with the opportunity to comment on the remuneration, although shareholders should note that in accordance with the regulations the vote will be advisory in nature.

Directors' remuneration policy report (Resolution 3)
The Company is required to put a resolution to shareholders to approve the Directors' remuneration policy report.

Shareholders are being asked to approve the Directors' remuneration policy report, which can be found on pages 58 to 60 of the Report and Accounts. The policy is intended to apply for three years from the date shareholders approve it. Once approved, the Company will not be able to make a remuneration payment to a current or prospective Director or a payment for loss of office to a current or past Director unless such payment is consistent with the policy or has been approved by a resolution of the members of the Company.

Declaration of final dividend (Resolution 4)
Your Directors are recommending a final dividend of 18p per ordinary share for the year ended 30th June 2019 which will be paid on 29th October 2019 to shareholders on the register at the close of business on 11th October 2019.

The Company's shares will trade ex-dividend from 10th October 2019 until the payment date.

Re-election of Directors (Resolutions 5 – 12)
Article 138 of the Company's articles of association requires that a resolution for the appointment or re-appointment of two or more persons as Directors by a single resolution may not be moved unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it. Consequently, separate resolutions will be put to the meeting.

Brief biographical details of all the Directors may be found on pages 36 to 37 of the annual report.

Re-appointment of auditors (Resolution 13)
The Company is required at each general meeting at which its annual accounts and reports are laid before the shareholders (an "Accounts Meeting") to appoint auditors for the next financial year to hold office from the conclusion of that accounts meeting until the conclusion of the next accounts meeting. If resolution 13 is passed, RSM UK Group LLP will be re-appointed as auditors to the Company for the financial year ending 30th June 2020.

Remuneration of auditors (Resolution 14)
In accordance with the Companies Act 2006, the remuneration of the auditors appointed by the shareholders may be fixed in such manner as the shareholders in general meeting may determine. It is normal practice for a company's Directors to be authorised to agree the auditors' fees. If this resolution is passed, the Audit Committee will review and approve the auditors' fees for recommendation to the Board.

Authority to allot shares (Resolution 15)
Resolution 15 will be proposed as an ordinary resolution in accordance with section 551 of the Companies Act 2006, to authorise the Directors generally to allot shares and rights over shares up to a maximum nominal amount of £88,536 representing approximately one third of the existing issued ordinary share capital as at the date of this notice.

Such authority will expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2020 (whichever is the earlier), unless renewed, varied or revoked by the Company prior to or on that date.

The City of London Employee Benefit Trust (the "EBT") (Resolution 16)
In accordance with the Association of British Insurers' Principles of Remuneration, the prior approval of shareholders should be obtained before 5% or more of the Company's issued share capital is held on behalf of the EBT.

Your Board of Directors therefore seeks the approval of shareholders by ordinary resolution to permit the trustees of the EBT to hold up to a maximum of 10% of the Company's issued ordinary share capital from time to time. Your Directors believe that granting such approval would be in the best interests of shareholders because it will offer the opportunity to align more closely the interests of staff and shareholders, will extend the Company's opportunities with respect to attracting new talent and will promote confidence in the stability of the Company's investment process from a client perspective.

Disapplication of pre-emption rights (Resolution 17)

Resolution 17 will be proposed as a special resolution in accordance with section 570 of the Companies Act 2006, to authorise the Directors of the Company to allot a limited number of shares for cash other than on a pre-emptive basis, up to an aggregate nominal value of £13,280 representing approximately 5% of the issued ordinary share capital at the date of this notice. This authority will expire at the conclusion of the Company's next Annual general meeting, or on 30th November 2020 (whichever is earlier), unless renewed, varied or revoked by the Company prior to or on that date.

Purchase by the Company of its own shares (Resolution 18)

Under section 701 of the Companies Act 2006, the Directors of a company may make market purchases of that company's shares if authorised to do so. The Company's articles of association give a general authority to the Directors to purchase shares on the market, but that authority is subject to the approval of shareholders. Your Directors believe that granting such approval would be in the best interests of the shareholders in allowing Directors the flexibility to react promptly to circumstances requiring market purchases.

Accordingly, Resolution 18, which will be proposed as a special resolution, will give the Directors the authority to purchase issued shares of the Company under section 701 of the Companies Act 2006. The authority contained in this Resolution will be limited to an aggregate nominal value of £26,561 which represents approximately 10% of the issued ordinary share capital of the Company at the date of this notice. The price which may be paid for those shares is also restricted as set out in the Resolution. This authority will expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2020 (whichever is earlier).

The Board intends to use the authority granted by this resolution only if and when, taking account of market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall financial position of the Group, they believe that the effect of such purchases will be in the best interests of shareholders generally and that they will result in an increase in earnings per share.

Shares purchased under this authority may be held as treasury shares. The Company may purchase and hold shares as treasury shares up to a maximum amount equal to 10% of the nominal value of the issued ordinary share capital at that time, rather than cancelling them. Shares held in treasury do not carry voting rights and no dividends will be paid on such shares. Shares held in treasury in this way can be sold for cash or cancelled. This would allow the Company to manage its capital base more effectively and to replenish its distributable reserves.

If and when the Board resolves to exercise its authority to make market purchases, it will at that time decide whether shares purchased are to be cancelled or held in treasury.

Alteration of Articles of Association (Resolution 19)

The Company is proposing to amend its articles of association by inserting a new article 156 in substitution for the existing article 156. The change introduced is to allow the Board to determine the aggregate sum that may be paid to Directors by way of fees for their services as Directors in accordance with the Directors' Remuneration Policy on pages 58 to 60.

COMPANY INFORMATION

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RSM UK Audit LLP
Chartered Accountants
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London
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Bankers
The Royal Bank of Scotland plc
London City Office
62-63 Threadneedle Street
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EC2R 8LA

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Link Asset Services
34 Beckenham Road
Beckenham
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By email:
enquiries@linkgroup.co.uk

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77 Gracechurch Street
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EC3V 0AS

Company registration number
2685257

Company Secretary
Philippa Keith

Financial calendar

First quarter Funds under Management (FuM) announcement	9th October 2019
Ex-dividend date for the final dividend	10th October 2019
Final dividend record date	11th October 2019
AGM	21st October 2019
Final dividend payment	29th October 2019
Second quarter FuM announcement	14th January 2020
Half year results and interim dividend announcement	17th February 2020
Ex-dividend date for the interim dividend	5th March 2020
Interim dividend record date	6th March 2020
Interim dividend payment	20th March 2020
Third quarter FuM announcement	21st April 2020
Year end	30th June 2020

For further information please see the shareholders page on our website www.citlon.co.uk

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