ANNUAL REPORT & ACCOUNTS
2020/2021

CITY OF LONDON
Investment Group PLC

CITY OF LONDON
Investment Group PLC

CITY OF LONDON
Investment Management Company Limited

KARPUS
INVESTMENT
MANAGEMENT

Our Purpose

The Group exists for the mutual benefit of our three primary stakeholders: Clients, Employees and Shareholders

Corporate statement

City of London Investment Group PLC (CLIG) is an established asset management group which has built its reputation by specialising in global closed-end fund investments, via City of London Investment Management Company Limited (CLIM), with an institutional client focus.

The Group has expanded its range by merging with Karpus Investment Management (KIM) to provide closed-end fund strategies to wealth management clients.

SUMMARY

Funds under Management (FuM) of US$11.4 billion (£8.3 billion) at 30th June 2021. This compares with US$5.5 billion (£4.4 billion) at the beginning of this financial year on 1st July 2020 (pre-merger)

Net fee income was £52.5 million (2020: £31.7 million)

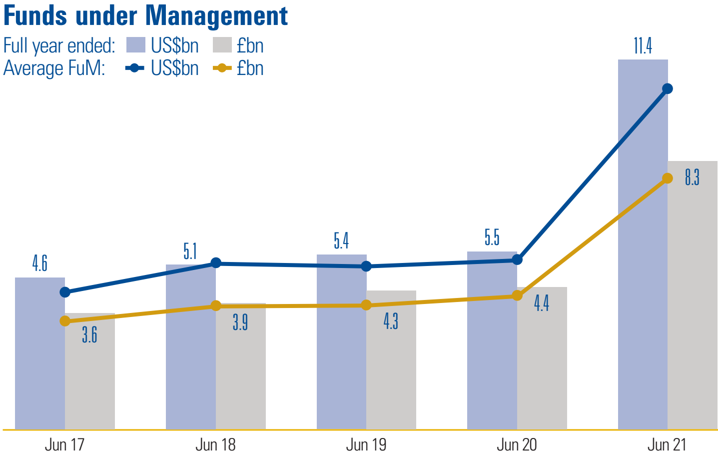
Underlying profit before tax* was £26.7 million (2020: £11.5 million). Profit before tax was £22.2 million (2020: £9.4 million)

Underlying basic earnings per share* were 48.1p (2020: 38.2p). Basic earnings per share were 39.4p (2020: 30.3p) after an effective tax charge of 24% (2020: 22%) of profit before taxation

Increased final dividend to 22p per share (2020: 20p) payable on 29th October 2021 to shareholders on the register on 8th October 2021, making a total for the year of 33p (2020: 30p)

*This is an Alternative Performance Measure (APM). Please refer to page 33 for more details on APMs.

Funds under Management



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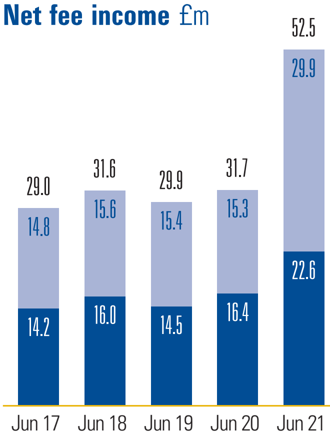
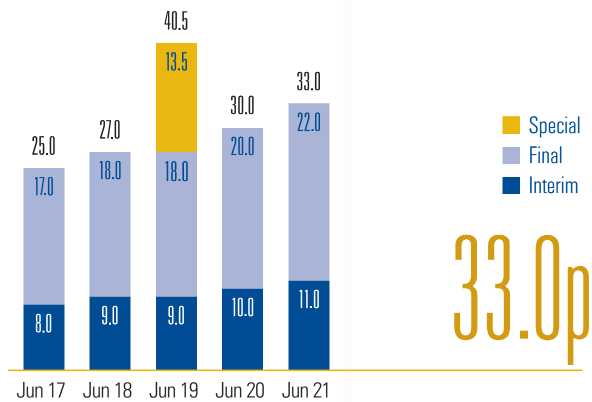
FINANCIAL HIGHLIGHTS

Net fee income £m



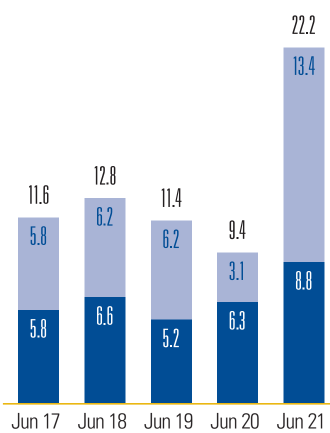
£52.5m

Dividends paid and proposed per share pence



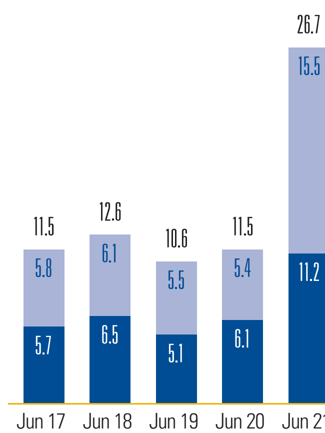
33.0p

Profit before tax £m



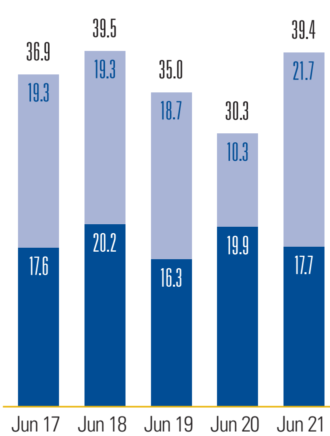
£22.2m

Underlying profit before tax* £m



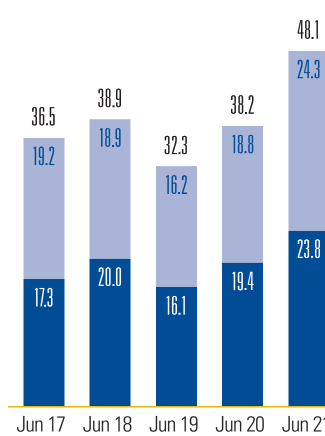
£26.7m

Basic earnings per share pence



39.4p

Underlying earnings per share* pence



48.1p

First half year   Second half year

* *This is an Alternative Performance Measure (APM). Please refer to page 33 for more details on APMs.*

AT A GLANCE

CITY OF LONDON
Investment Group PLC

City of London Investment Group PLC (CLIG) is an established asset management group listed on the London Stock Exchange, consisting of two wholly owned subsidiaries that invest primarily in closed-end funds for the benefit of their respective clients

CLIG

$11.4b FuM (£8.3b)

CLIM | **KIM**

$7.5b FuM (£5.5b) | $3.9b FuM (£2.8b)

CITY OF LONDON
Investment Management Company Limited

City of London Investment Management Company Limited (CLIM), historically specialised in Emerging Markets, but now has expanded its range to include International, Opportunistic Value, Frontier, and Real Estate Investment Trust (REIT) strategies, primarily for institutional clients.

KARPUS
INVESTMENT
MANAGEMENT

Karpus Investment Management (KIM) provides closed-end fund strategies across all asset classes to wealth management clients in the United States.

CHAIR'S STATEMENT

"Given the more diversified revenue base now enjoyed by the Group, we are cautiously optimistic for the year ahead and believe we are prepared to manage any headwinds that may arise."

Barry Aling Chair

Most businesses are well prepared for interruptions to working practices with sophisticated disaster recovery contingencies but few, if any, could have foreseen dislocation on the scale and for as long a period as that witnessed over the last 18 months. I am very pleased to report, therefore, that both operating entities, CLIM and KIM, have sustained full and uninterrupted remote working functionality throughout the COVID-19 pandemic and, as I will detail later, CLIG finished the year in rude health with assets, revenues and profits at the highest levels in the Group's history.

In addition to maintaining 'business as usual', significant progress has been made in the operational integration of the two businesses in order to streamline systems and administrative functions and realise efficiencies. Completion of the integration process is ongoing, as outlined later in this report, but already we can see the benefits of the merger in terms of both results and revenue diversity. While we are geared inevitably to both equity and debt market levels, the KIM merger has served to insulate the Group to a significant degree from past levels of revenue volatility. On behalf of all our shareholders, I would like to thank our CEO, Tom Griffith, and all of his executive colleagues for their resolve and dedication in managing these challenges so successfully.

Assets and performance

Combined Funds under Management (FuM) rose nearly 5% to US$11.4 billion in the six months to 30th June 2021 and by 20% since the merger closing date of 1st October 2020. For the year as a whole, CLIM funds grew by c.37% to US$7.5 billion while KIM's FuM grew by c.9% to US$3.9 billion from the date of the merger, an impressive rate of growth given that c.60% of KIM's client assets are invested in fixed income securities.

The Group's success in growing FuM was due in no small part to excellent investment performance, as detailed later in this report, with ten of the eleven investment strategies across the combined Group achieving first or second quartile relative performance. Equally important is the significant change in the balance of assets over the last five years as a result of the rapid growth in the International equity strategies and the KIM merger. Although Emerging Markets (EM) assets have grown by nearly 50% over the last five years to US$5.4 billion, they now represent less than 50% of total FuM compared with 91% in 2016, giving the Group a far more diversified asset base. Given the capacity constraints existent within the EM closed-end fund (CEF) space, further development of both the diversified strategies and KIM's wealth management business is a key objective in realising long-term asset growth.

Results

Group statutory pre-tax profits rose by 137% in the year ending 30th June 2021 to £22.2 million (2020: £9.4 million), which include a first-time post-merger contribution from KIM. In order to present a more accurate picture of our financial performance, however, I propose to focus on an Alternative Performance Measure* of 'Underlying' profits and earnings per share (EPS), which exclude exceptional or non-recurrent items, mainly associated with the KIM merger. On this basis, underlying pre-tax profits were £26.7 million, (2020: £11.5 million), with CLIM contributing £16.6 million, a 44% YOY increase, and KIM contributing £10.1 million in the nine months to 30th June 2021.

Net fee income of £52.5 million, which included £37.0 million attributable to CLIM and £15.5 million to KIM (for nine months), was 66% higher than the previous year despite a slight decline in the average Group revenue margin for the year to 74bp (2020: 75bp). The c.8% gain over the year in the average £/US$ exchange rate served to pare the growth in fee income when expressed in sterling terms as almost all revenues are generated in US dollars. Since an absolute comparison of profits YOY is distorted by the absence of a full-year contribution from KIM, the more

* *This is an Alternative Performance Measure (APM). Please refer to page 33 for more details on APMs.*

appropriate comparative measure of our financial performance is provided by our underlying earnings per share (EPS) which, on a fully diluted basis, rose by 27% to 47.4p (2020: 37.2p) for the year.

I am pleased to report that the Employee Incentive Plan (EIP) continues to attract wide support from employees across the Group, this being the first year in which KIM employees were invited to participate. The most recent elections by employees for the coming financial year resulted in an overall participation rate of 77%, with no less than 92% of our new colleagues at KIM taking their entitlements. This high level of employee support for the EIP is a key factor in increasing employee ownership over time, thereby aligning CLIG's stakeholder interests.

Dividends

In line with the Group's management philosophy over many years, we remain committed to rewarding shareholders within the parameters of cautious balance sheet management. With this in mind and as a result of the continued growth in profits through the second half of the year to June 2021, the Board is able to recommend a final dividend to shareholders of 22p per share. Taken together with the increased interim payment, this brings total dividends for the year to 33p, equivalent to a 10% increase YOY. While these payments will result in dividend cover of 1.2 for the year based on our statutory results, that figure rises to 1.29 on a rolling five-year basis, compared with a target cover of 1.2. Having regard to the buoyancy of markets over the last year, the Board believes that a modest degree of headroom above the target level is prudent. The final dividend of 22p will be paid on 29th October 2021 to those shareholders on the register at 8th October 2021.

Board

As noted in my report to shareholders at the interim stage, there have been a number of changes to the Board this year, which included the appointment of two new Directors in the wake of the KIM merger, George Karpus as a Non-Independent Non-Executive Director (NED) and Dan Lippincott as an Executive Director. In addition, following Susannah Nicklin's resignation in September 2020, Rian Dartnell was appointed as the replacement Independent NED and in February 2021, Tazim Essani was appointed as a fourth Independent NED.

Arguably for a company of our size, a Board complement of eleven people is excessive and we are conscious also that, at present, the ratio of Independent Directors falls short of the recommendation contained in the UK Corporate Governance Code (the Code) for Boards to have a majority of Independent Directors (or at least parity). More recently, the Financial Conduct Authority (FCA), in its capacity as The Listing Authority, has issued a consultation paper outlining proposals to address gender and ethnic diversity issues for UK-listed companies that will take effect from 2023. The issue of diversity in public companies has become an increasingly important component of UK corporate governance and we fully support the need for raising standards as part of the overall focus on Environmental, Social & Governance (ESG) protocols, a subject to which I will return later. Under the new proposals, Boards will be required to have female representation of at least 40% and one member 'of colour', targets which go well beyond those set out in the 2019 industry-led Hampton-Alexander Review on female representation. Taken together these requirements will necessitate significant changes to the CLIG Board, which we acknowledge will not be addressed immediately in what is a post-merger transitional period. Going forward, however, in order to comply with the requirements by the target date of 2023, we intend to set out proposals for a fully compliant composition of the Board to shareholders by the October 2022 Annual General Meeting.

ESG

The adoption of best practice in formulating corporate ESG policies is gaining increasing focus by both clients and shareholders and is a trend that we strongly support. The data for CLIG over the last year, which is set out in detail on page 36 of this report, is distorted inevitably by the opposing effects of COVID-19 restrictions, which have reduced carbon emissions and social initiatives, versus the 50% growth in our employee headcount since the KIM merger. CLIG's environmental impact has been dominated historically by the necessity of air travel, given our international network of offices and the needs of client visits and new business development but for internal purposes, we have relied on video conferencing as a matter of policy for some years. Post-pandemic, our goal is to continue the downward trend in our carbon footprint on a per capita basis.

At the social level, while the Group does not make donations to charities or political parties, we do encourage employees to participate in community support activities across a broad spectrum in each of the locations where we operate. Despite the severe constraints imposed by lockdowns, we have continued to promote community initiatives, examples of which are included in the report on page 36. Similarly, we have formalised a series of internal policies this year that are designed to codify the fair treatment of employees in order to promote diversity, equity and inclusion with regular training across the Group.

CHAIR'S STATEMENT
CONTINUED

In order to better conform to best practice in corporate governance, a Corporate Governance Working Group (CGWG) was formed in 2020 with a remit to review our policies in relation to the Code and advise the Board of any changes that were needed. Among CGWG's findings was a recommendation that we appoint Prism Cosec Ltd (PC) as our new Corporate Secretary, which took effect in May 2021. In the course of the last five months, PC has been actively involved at every level of our governance processes and a summary of the progress that has been made is shown in the Governance section on pages 40 to 86. Although I have already touched on the subject of Board composition as it relates to the Code, the need to review Code compliance across the full gamut of our activities and, where necessary or advisable, make changes to our governance procedures is a core objective of your Board. Cognisant of this, the various reports included in the later pages have been significantly revamped this year to provide more detail on our ESG initiatives and I would encourage shareholders to take the time to read them.

Outlook

Despite the proliferation of new COVID-19 variants, the global vaccination effort, with more than five and a half billion doses having been administered to date, appears to be successful in curbing hospitalisations and allowing a gradual return to normality. While most central banks have indicated corresponding reductions in fiscal support as the extreme health threat subsides, overall policy, led by the US Federal Reserve, remains accommodative and markets have behaved accordingly. The level of support intervention over the last 18 months has enabled macro economic indicators and asset markets generally to weather the pandemic with comparative ease, despite the disproportionate impact on specific sectors such as tourism and hospitality. In the year to 30th June 2021, the S&P 500 rose 36% while the MXEF EM index rose by 33%, albeit at a slower pace in the most recent six months.

Although this year's gains take the S&P rating towards the higher end of its historical range with a forward P/E ratio of 21, the comparable MXEF rating of 14 remains undemanding from a longer-term perspective, providing some 'value comfort' as markets confront inflationary pressures and possible 'taper tantrums' in 2022. Indeed the 'rating ratio' between these two indices (S&P P/E vs. MXEF P/E), which stands presently at 1.5, is very much towards the upper range of relative value.

The consensus Bloomberg forecast for GDP growth this year is 5.3% for developed economies and 6.6% for the emerging economies and, while this will slow a little in 2022, the existing consensus is for growth to remain above the long-term averages. While it may be unrealistic to expect markets to continue their sharp climb over the last year, the recovery in economic activity should ensure that any correction will be a 'soft landing' rather than a full-blown bear market. Given the more diversified revenue base now enjoyed by the Group, as highlighted earlier, we are therefore cautiously optimistic for the year ahead and believe we are prepared to manage any headwinds that may arise.

Barry Aling
Chair

9th September 2021

OUR ESG INITIATIVES

Environment

- Focussed on incremental process improvements
- Constantly explored technological advances to reduce environmental impact
- Reviewed operational areas from a fresh perspective as a result of the pandemic

Please refer to page 35 for the Group's environmental policy initiatives.

Social

- Diversity – Established seven-person Diversity Working Group including CEO as a member
- Inclusion – Provided greater clarity and guidance on the expectations of employees
- Human Capital – Implemented policies during the year focussed on employee behaviour
- Human Capital – Conducted employee/manager specific trainings

Please refer to page 34 for the Group's social initiatives.

Governance

- Renewed focus on compliance with the 2018 UK Corporate Governance Code
- Enhanced reporting in Annual Report and Group website
- Risk management – Internal controls, regulatory compliance and data protection and privacy

Please refer to page 38 for our Section 172 Statement.

CHIEF EXECUTIVE OFFICER'S STATEMENT

> "We are excited about the future and believe that we are stronger and can go further together than would have been possible separately."

Tom Griffith Chief Executive Officer

This has been a transformational year in the continued evolution of your company which featured the merger with Karpus Investment Management (KIM), creating an enlarged Group with two operating subsidiaries and US$11.4 billion (£8.3 billion) in Funds under Management (FuM) at 30th June 2021. We are excited about the future and believe that we are stronger and can go further together than would have been possible separately.

The addition of KIM as a second operating subsidiary to City of London Investment Management Company Limited (CLIM) increased Group client assets by US$3.6 billion or 60%. The summary table below details the FuM at the CLIG level, plus the subsidiaries, over the past financial year:

Merger and FuM update

Each operating subsidiary is first and foremost an investment management business with a track record of outperformance over multiple market cycles. The common denominator between them is that both CLIM and KIM focus on investing on behalf of their clients via closed-end funds (CEFs), while the complementary nature of the merged entities includes both an expanded client type and focus of the underlying investment strategies available. The CLIM client base is predominantly institutional while KIM has primarily high net worth (HNW) clients. CLIM is primarily equity focussed while KIM focuses on fixed income and a balanced approach to investing on behalf of clients. The merger has resulted in achieving many of the intended benefits of CLIG diversification efforts.

FuM summary 2020-2021 (US$ millions)

Period end dates	30 Jun 2020	30 Sept 2020	31 Dec 2020	30 Jun 2021
CLIG FuM	**5,512**	**9,515**	**10,936**	**11,449**
CLIG % change by period	–	73%	15%	5%
CLIG % change since merger	–	–	–	20%
CLIG % change YoY	–	–	–	108%
CLIM FuM	**5,512**	**5,935**	**7,229**	**7,530**
CLIM % change by period	–	8%	22%	4%
CLIM % change since merger	–	–	–	27%
CLIM % change YoY	–	–	–	37%
KIM FuM	**N/A**	**3,580**	**3,707**	**3,919**
KIM % change by period	–	–	4%	6%
KIM % change since merger	–	–	–	9%
KIM % change YoY	–	–	–	N/A

Over the years, CLIG Founder and former CEO, Barry Olliff, frequently discussed the corporate goal of diversifying the Group's income by building strategies complementary to the flagship Emerging Markets (EM) CEF strategy. KIM's Founder, George Karpus, shared many of the same corporate values which became the catalyst for bringing the two Companies together.

Through the patience, fortitude, and effort of the management team and employees, and due to the growth in the International equity strategy, the percentage of client assets invested in CLIM's EM strategy was reduced to c.70% as of 30th September 2020 (immediately prior to the merger), compared with c.90% five years ago. CLIM diversification continues to be a goal of the management team by providing support and resources to the other investment teams within CLIM.

At a CLIG level, the merger with KIM has allowed that diversification to occur much more quickly; as shown in the chart and graph on page 9, the EM strategy at CLIM has been reduced to 47% of the combined entity as of 30th June 2021. As a result of this CLIG-level diversification, shareholders should note that, going forward, we will not include a comparison to MXEF (the commonly known EM Equity Benchmark) in our Share Price KPIs. Please refer to page 23 for a review of the Share Price KPIs over the past year, including a comparison with MXEF.

Through 30th June 2021 financial year end, the merger has resulted in an increase in CLIG's FuM of 108% from US$5.5

billion at 30th June 2020 to US$11.4 billion and 131% increase in profit after tax to £17.0 million (2020: £7.4 million) before the exclusion of underlying expenses related to the merger. Reducing the EM strategy percentage of FuM is intended to produce a reduced level of volatility in net fees and profitability. CLIG's market capitalisation has increased to c.£270 million as at 30th June 2021 from a pre-merger level of c.£112 million.

Earnings enhancement, an increased dividend per share and an ongoing reduction in the volatility of earnings along with an increased market capitalisation are all positive signs that CLIG diversification plans intended to increase shareholder value are headed in the right direction. However, the net outflow of client assets over the financial year as shown on the right is noteworthy. While net flows were negative over the year, CLIM's total inflows of over US$500 million were significant, and signals that the market is still receptive to our product offerings and investment management solutions. A number of factors, mixed with cancelled or postponed client investment committees and a lack of in-person marketing efforts due to the pandemic and resulting quarantine environment, contributed to net outflows. These factors will be discussed further in the investment and business development reviews on pages 12 to 16.

Net investment flows (US$000's)

CLIM	FYE 2018	FYE 2019	FYE 2020	FYE 2021
Emerging Markets	(215,083)	(183,521)	(279,459)	(275,493)
International	279,394	252,883	551,102	(14,145)
Opportunistic Value	54,251	48,236	45,914	(102,663)
Frontier	67,000	(21,336)	16,178	(168,843)
REIT	–	6,000	4,600	–
CLIM total	**185,562**	**102,262**	**338,335**	**(561,144)**

KIM	FYE 2018	FYE 2019	FYE 2020	FYE 2021*
Retail	46,550	33,701	26,323	(104,222)
Institutional	(107,410)	9,050	(67,087)	(130,911)
KIM total	**(60,860)**	**42,751**	**(40,764)**	**(235,133)**

* Includes net investment flows for Retail – (24,407) and Institutional – (20,264) pertaining to period before 1st October (pre-merger).

CLIG – FuM by line of business (US$m)

	30 Jun 18		30 Jun 19		30 Jun 20		30 Jun 21	
CLIM	US$m	% of CLIM total*	US$m	% of CLIM total*	US$m	% of CLIM total*	US$m	% of CLIG total
Emerging Markets	4,207	83%	4,221	78%	3,828	69%	5,393	47%
International	480	9%	729	14%	1,244	23%	1,880	16%
Opportunistic Value	174	3%	233	4%	256	5%	231	2%
Frontier	245	5%	206	4%	175	3%	13	0%
Other/REIT	1	0%	7	0%	9	0%	13	0%
CLIM total	**5,107**	**100%**	**5,396**	**100%**	**5,512**	**100%**	**7,530**	**66%**

	30 Jun 18		30 Jun 19		30 Jun 20		30 Jun 21	
KIM	US$m	% of KIM total*	US$m	% of KIM total*	US$m	% of KIM total*	US$m	% of CLIG total
Retail	2,098	67%	2,291	67%	2,401	69%	2,804	24%
Institutional	1,019	33%	1,105	33%	1,087	31%	1,115	10%
KIM total	**3,117**	**100%**	**3,396**	**100%**	**3,488**	**100%**	**3,919**	**34%**
CLIG total							**11,449**	**100%**

* Denotes pre-merger percentages.

Business integration update

Progress has been made in three primary areas of integration – 1) Information Technology (IT), 2) Finance, and 3) Human Resources. This was reflected in the February announcement that Deepranjan Agrawal is now the Group Chief Financial Officer, and Alan Hoyt is the Group Chief Technology Officer, and both Deep and Alan have reporting lines from both subsidiaries. CLIG's operational, systems and software development standards have been incorporated into KIM processes, with the subsidiary now supported by newly hired full-time employees in both IT infrastructure and software development. System projects that are ongoing at KIM include an upgrade to the portfolio accounting software and order management system. CLIG's combined IT resources support the system development and infrastructure for the investment management teams at both subsidiaries, offering a consistent development plan for systems, while our colleagues in operations are able to assist with process improvements and addressing other challenges. We are working with KIM management on revising the benefits package for all KIM employees, which now includes the ability to participate in the CLIG's Employee Incentive Plan (EIP) as detailed later in my statement.

CLIM's Seattle office update

The Seattle office was opened in 2015 and staffed with two employees to better service local clients and to develop a marketing presence on the West Coast of the US. After six years, we have decided to close the office as increased acceptance of video conference meetings as a result of the pandemic have rendered office location of less importance.

Group financial results

The Group's net fee income currently accrues at a weighted average rate of approximately 74 basis points of FuM. This is in line with the weighted average fee rate realised during financial year 2020. The Group's net fee income over the period was £52.5 million, with £15.5 million from the KIM business, reflecting three-quarters of earnings since the merger on 1st October 2020. Additionally, the dollar weakened during this period by c.8%; over 97% of CLIM's fee income is USD

CHIEF EXECUTIVE OFFICER'S STATEMENT

CONTINUED

denominated, whilst 100% of KIM's fee income is USD denominated, resulting in a weaker dollar providing reduced GBP denominated income.

CLIG profitability, cash and dividends

Operating profit before bonus, EIP, share option credit and investment gains/losses grew by 91% to £35.6 million (2020: £18.7 million, CLIM only) as a result of increased net fee income from the incorporation of KIM revenues for nine months (since merger) in addition to higher fee income from increased FuM for CLIM. Profit before tax at the Group level increased to £22.2 million (2020: £9.4 million). Underlying EPS increased by 26% from 38.2p in FY 2020 to 48.1p in FY 2021. Please refer to the financial report starting on page 30 for additional financial results.

In conjunction with the increase of the interim dividend by 1p to 11p per share, the Board has recommended to shareholders that the final dividend be increased by 2p per share to 22p per share. This increase is on the back of the improved results and cash generated by both subsidiaries during a period of strong appreciation of the underlying asset values managed by the teams. Please refer to page 22 for the dividend cover chart, which provides an overview of our policy of distributing a proportion of net profits to shareholders by way of ordinary dividends with a target of 1.2x coverage ratio over a rolling five-year period.

Inclusive of our regulatory and statutory capital requirements, cash in the bank has risen from £14.6 million at 30th June 2020 to £25.5 million at 30th June 2021, in addition to the seed investments of US$5.8 million (£4.2 million) in the two CLIM-managed REIT funds. Our cash reserves will allow us to continue managing the business conservatively through volatile markets while following our dividend policy for shareholders. The CLIG Board continues to review the appropriate cash reserves needed to run a larger, but more diversified business, and assessing variables such as the impact of future revenue projections in case of a broad retreat in underlying asset prices. Additionally, the CLIG Board constantly reviews investment needed to build out additional capabilities and offerings at the two operating subsidiaries to find new clients or underserved markets where solutions can be provided.

EIP

The Employee Incentive Plan (EIP) continues to be a positive part of our remuneration package, as was highlighted by the recent strong take-up by the KIM employees who were able to participate for the first time in this past financial year. As mentioned by Barry Aling in his Chair's statement, c.92% of KIM employees elected to participate, paving the way for ownership of CLIG shares over the next three years and continued alignment of employee and shareholder interests.

Corporate governance and stakeholders

As Barry Aling mentions in his Chair's statement, we appointed Prism Cosec Ltd as Company Secretary, having had the benefit of working with them on some corporate governance projects over the past year, and look forward to reaping the benefits of their knowledge and experience in this area of increasing focus. On a separate note, I would like to point shareholders to our Section 172 Statement, on page 38, which highlights (amongst other areas) the engagement achieved between CLIG Directors and employees at both operating subsidiaries. Despite being hindered by COVID-19 travel restrictions, the Board has prioritised employee outreach and engagement via multiple video conference question and answer sessions, as well as focussed training from CLIM and KIM managers (separately) to the Non-Executive Directors.

On the note of Board composition, I agree with the views of our Chair as it relates to the projected changes to occur within the Board membership over the next two years. While Barry Aling has laid out the plan for the future, I would like to highlight that over the past year, your Board has benefited from the experience and expertise of the founders of the two operating subsidiaries, Barry Olliff (CLIM) and George Karpus (KIM), as well as the additional Executive Directors – Dan Lippincott, Mark Dwyer, and Carlos Yuste. In a year when on-the-ground oversight by Non-Executive Directors was limited, the Board needed those individuals to provide direct insights on the operations and culture within the two subsidiaries. We know at first glance, the size and composition of the Board is unexpected for a company of our size, but we are currently in a time where it makes sense to have more oversight and direct communication. In my final point, I would like to note that Barry Olliff's counsel as the previous CEO has been instrumental to me over the past two years as the company has navigated a pandemic, volatile markets, and a merger.

Cybersecurity update

CLIG subscribes to the belief that defending against cybersecurity risks require a multi-pronged approach. One prong of this approach is the focus via the IT department, including investment in infrastructure, oversight of system upgrades and patching, restricting access to systems/servers, and ongoing penetration testing by a third party vendor. Outside of IT, we are aware that employees will always be a target of cybercriminals, and historically have proven at other organisations to be an easier access point to an organisation's systems. All employees are required to complete monthly training on a variety of cybersecurity topics, by watching videos and answering questions on the training. Our CLIM colleagues have been receiving this training for four years, and KIM employees started to receive the monthly training in the fourth calendar quarter of 2020.

In July 2021, all employees received a 'Security Awareness Proficiency Assessment' from our third party cybersecurity education vendor. The assessment consisted of 23 questions and covered multiple topics including internet use, email security and incident reporting, and we received assessments on seven topics, plus an overall score, compared against other Financial Services Companies with less than 250 employees. We are proud to say that CLIG employees outperformed the industry average in overall security awareness. CLIM employees, having received training over the years, received higher marks than their KIM peers, but that helps reinforce the benefit of the frequent, monthly, training sessions. Finally, we are using the results of the assessment to focus future training on topics where employees have less awareness.

CLIG outlook

Financial year 2021 was a transformative year for CLIG and its three primary stakeholders – Clients, Shareholders, and Employees. In regards to Clients, their underlying assets were exposed to volatile markets due to geopolitical events across the globe, as economies were impacted by the COVID-19 pandemic and eventual roll-out of vaccines. In regards to Shareholders, CLIG is now a more diversified investment holding company with expanded expertise in CEF trading and management. Our colleagues at both CLIM and KIM have worked through a corporate level merger, Board-level changes, the aforementioned volatile markets, all while working remotely and managing the real-world implications of working throughout a constantly evolving pandemic. The patience of our stakeholders is appreciated and admired.

The investment teams at CLIM and KIM employ hard working investment professionals who seek to consistently outperform their benchmarks and peers over market cycles. They are supported by colleagues in operational areas of the firm to deliver quality client service and a focus on client needs.

We are excited about the ongoing integration of the KIM business under the CLIG umbrella, and continuing to work with the teams who drive that business forward. With the end of travel restrictions, we are looking forward to spending more time with our new colleagues. Additionally, international travel restrictions have hindered the ability for our UK-based NEDs and colleagues to meet the KIM team in-person in Rochester, which I know is high on their to-do list. As most people can attest, meetings over video conference are just not the same.

To all of our colleagues at CLIG, thank you for your hard work, dedication, and positive attitude during a trying twelve months. The Groups collective ability to be comfortable in chaos is a competitive advantage. Your attitude of 'whatever it takes' is unstoppable. I look forward to our next in-person meeting.

Tom Griffith
Chief Executive Officer

9th September 2021

INVESTMENT REVIEW – CLIM

Risk assets recovered strongly from the losses of H1 2020 as investors judged that the pandemic would eventually burn out, helped by the rapid deployment of healthcare solutions. It was also evident that governments and their central banks stood ready to supply unlimited bridging stimulus.

After months of debate over the 'shape' of the recovery, the 'V' followed the precedent of most recessions since WWII. Overall, CLIM's strategies performed well.

Significant equity market volatility provided ample discount trading opportunities and discounts tightened, providing a further tailwind. Aggregate CEF relative net asset value (NAV) performance was positive as active management exploited the greater market volatility. CEF managers further benefited from a number of themes including the outperformance of small and mid cap stocks and some well-timed value tilts augmented with moderate gearing. Over 95% of CLIM's assets are ahead of benchmark and peer group over the five years ending June 2021.

Despite winning new business exceeding US$500 million, net flows were negative over the period, explained by three factors:

(1) the International CEF strategy was closed to new investors for the year to December 2020 following a period of strong growth;

(2) the Opportunistic Value (OV) and Frontier CEF strategies lost two larger clients over the period; and

(3) we experienced disproportionate rebalancing from our institutional clients following a period of significant outperformance.

Institutional interest in the Frontier asset class is low, following ten years of returns that have trailed both EM and International. This can attract contrarian investors but our own relative performance has been weak and client retention difficult. The OV strategy lost its largest client after the institution outsourced management. We are redoubling our efforts to replace these assets. Our International strategy is open again to new investors and CLIM's REIT strategies will have the three-year track record necessary for institutional interest in January 2022. International, OV and the REIT strategies remain a focus for growth in the medium term.

CLIM continues to invest in systems and people. Our in-house proprietary research database now gives us a full, live 'see through' of our CEF portfolios. This provides better insights to portfolio risk factors and helps CLIM meet regulatory change (e.g. exposure to sanctioned securities). As we learn more about our portfolios on a see through basis so we can better analyse ESG characteristics and engage fully with CEFs to understand their management and mitigation of ESG risks. This engagement, which is part of our regular manager due diligence and Board engagement, is aimed at encouraging managers to improve their ESG disclosures. We believe that improved transparency will result in better management of ESG risks by CEF managers and ultimately in better returns for our clients. Our detailed annual stewardship report is available here: **https://www.citlon.com/esg-reports/AnnualStewardshipReport3_21.pdf.**

Investment staff turnover was minimal over the period, however we did hire two new data analysts to maintain coverage of a growing CEF investment universe. Indeed, we saw one of the strongest years of growth for the CEF industry on record. Over US$40 billion was raised globally including US$16 billion in Europe, US$13 billion in the US and US$12 billion in Asia Pacific. We have maintained adequate coverage of the broadening opportunities by sticking to our proven strategy of constantly upgrading our IT infrastructure and hiring high quality, junior analysts.

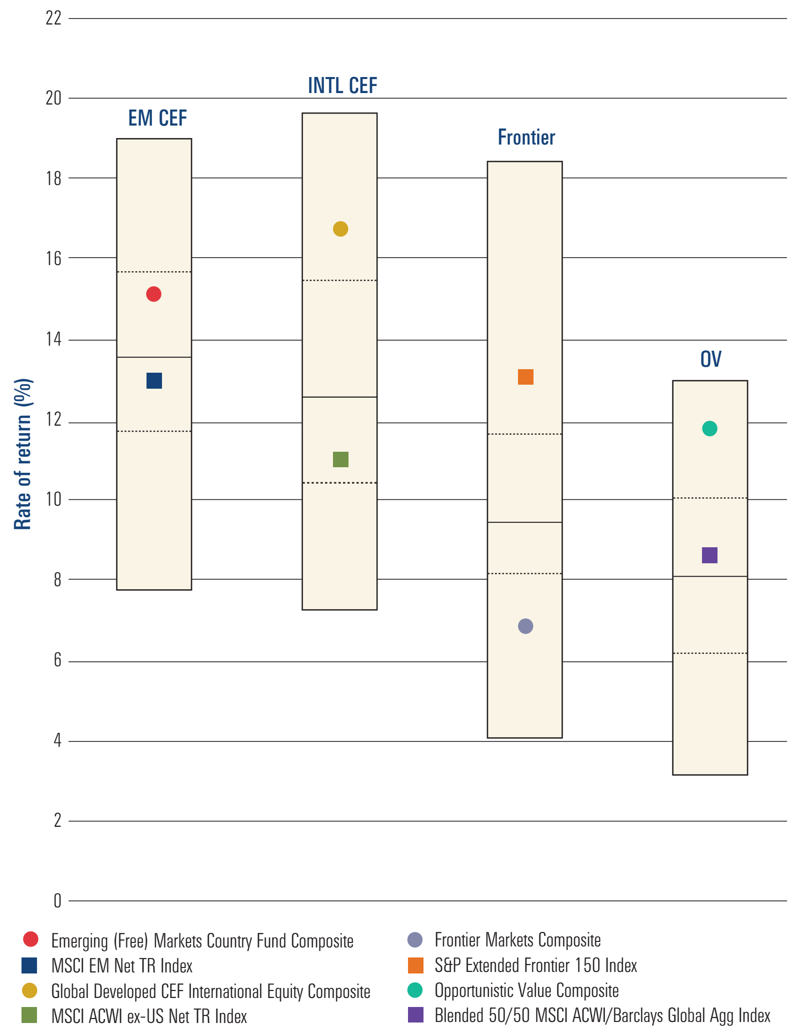
With the benefit of hindsight, markets started to discount the eventual passing of the pandemic on 23rd March 2020. Given the remarkably rapid vaccine development and roll out, the worst is now likely behind us. Inflation has become the new investment dilemma – namely is the current burst of higher prices transitory or will it persist? The truth is that no-one knows, however our base case is that inflation is unlikely to be a major issue in the short term. We do, however, discuss the arguments for and against in a recent macro commentary, available here – **https://www.citlon.co.uk/special-reports/InflationDilemma2-21.pdf**

Equities (MSCI World) delivered an annualised rate of return of 16% over the five years ending June 2021, almost double the average five-year return over the past 30 years. The US economy is booming and this will likely spread to the rest of the world, including EM, in the months ahead. This, along with recent stimulus, explains investors' exuberance. However, with the trailing P/E of the global index approaching 25x, expectations for the next five-year period should be moderated.

Regardless of the future direction of equity markets, our clients pay us for, and expect to receive, index outperformance. Significant CEF issuance in 2020/21, increased retail participation and ongoing equity market volatility underpin CEF discount anomalies. CLIM has an edge in exploiting these anomalies via a time tested and disciplined investment process implemented by a highly experienced investment team. This provides the key support to long-term alpha generation across our strategies and bodes well for the future.

Refer to page 18 for CLIM's investment process.

CLIM Composite Returns – Five years ending June 2021



*The above returns are annualised and presented as gross of fees performance figures, which do not reflect the deduction of investment management fees. The Emerging (Free) Markets Country Fund Composite and MSCI EM Net TR Index are shown against the eVestment Global Emerging Markets Equity Universe. The Global Developed CEF International Equity Composite and MSCI ACWI ex-US Net TR Index are shown against the eVestment All ACWI ex-US Equity Universe. The Frontier Markets Composite and the S&P Extended Frontier 150 Index are shown against the eVestment Frontier Markets Equity Universe. The Opportunistic Value Composite and the Blended 50/50 MSCI AWCI/Barclays Global Agg Index are shown against the eVestment All Global Balanced/TAA Universe. Data is as of 30th June 2021. Past performance is no guarantee of future results.

Source: eVestment Analytics System, BNY Mellon, City of London Investment Management, MSCI, S&P, Barclays

INVESTMENT REVIEW – KIM

Despite forward momentum, inflation is a primary concern for both investors and central banks. Indeed, economic activity continues to ramp up but could face challenges if the Delta variant (or others) causes a spike in infection rates in the coming months.

The balancing act central banks are facing is essentially to make sure that a transitory inflation situation doesn't become a permanent one.

Over the past twelve months, markets were propelled higher by:

- significant monetary and/or fiscal stimulus in many countries around the world;
- a re-opening of many parts of the economy; and
- consumers flush with savings and pent-up demand.

To be sure, while borrowing to support the economy can have positive short-term effects, too much debt as a percentage of gross domestic product (GDP) can have negative long-run effects on economic growth. With so much debt, it could become difficult to sustain growth due to the interest burden. As growth picks up, interest rates will generally rise. As rates rise, interest payments eat into the federal budget, reducing productive spending. This, in turn, could slow growth and actually put downward pressure on interest rates.

Our perspective is that since interest rates are no more predictable than stock prices or how foreign markets may perform in comparison to domestic markets, it is always important for investors to remember that they should not try to time the markets. Instead, they should choose a suitable asset allocation based on their risk tolerance and stay invested based on that strategy. This lesson is critical to helping investors achieve their long-term goals and setting a path that is most likely to get them there. In a nutshell, this is what we aim to do for our clients.

With this said, KIM's strategies performed well over the past twelve months, driven in large part by our CEF selection across each of our strategies. Generally speaking, many of our CEF holdings saw strong NAV performance, as well as significant discount narrowing. On top of this, we were able to accent our fund selection by working with CEF management teams, fund boards and trustees to unlock additional value through discount narrowing measures.

In the second half of 2020, we identified special purpose acquisition companies (pre-acquisition) (SPACs) trading at discounts to trust value. Our approach to investing in SPACs is very different than we have seen from other investment managers. Our conservative approach is based on utilising SPACs as a short-term fixed income alternative.

Among other reasons, we like SPACs because they can trade at a premium or discount to the cash value of the trust account (similar to CEFs). By purchasing shares below the cash value of the trust account, we view our approach as buying cash at a discount. Moreover, if the SPAC management company finds what the market perceives to be an attractive acquisition, shares of the SPAC could trade above cash value.

Clients benefited from our allocation to SPACs when euphoria hit this particular segment of the market in Q1 2021. Even after this period though, we continue to favour the short-term nature with which we utilise these securities for clients' portfolios.

Despite solid short and long-term performance, flows were net negative as institutional clients looked to rebalance. Additionally, several fully funded defined benefit plans were closed and distributed to their respective participants.

Refer to page 19 for KIM's investment process.

BUSINESS DEVELOPMENT REVIEW

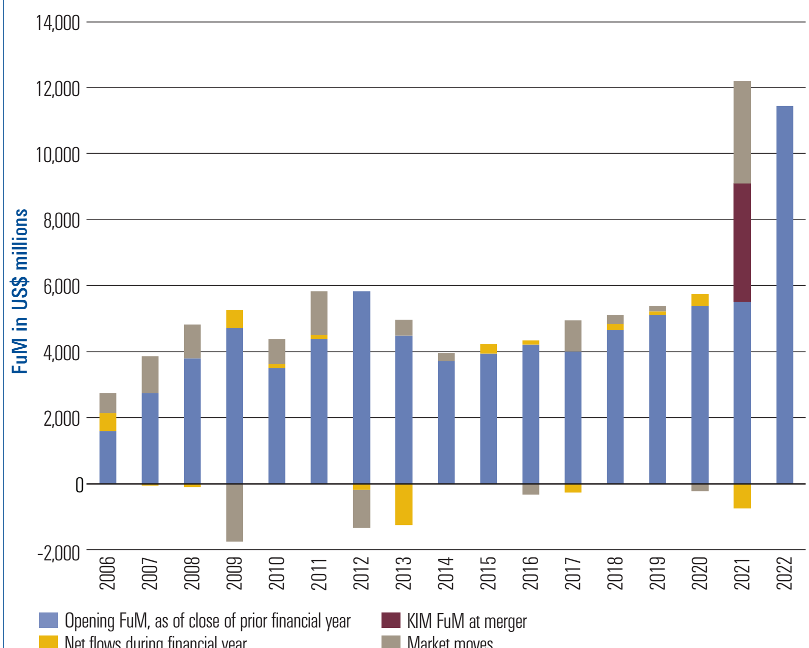
A key reason for the merger with KIM was to diversify FuM with EM CEF strategies now accounting for 47% of Group FuM at 30th June 2021, as compared with 69% at 30th June 2020.

KIM provides balanced mandates for high net worth and wealth management clients in the US, with both equity and fixed income investments. As at 30th June 2021, KIM strategies comprised 34% of Group FuM, while International CEF strategy totalled 16% of Group FuM.

Market appreciation, and some new client inflows, pushed strategy assets in the Emerging Markets CEF, Conservative Balanced and International CEF strategies to all-time highs of US$5.4 billion, US$3.9 billion and US$1.9 billion respectively.

After strong inflows last year, there were net outflows of US$752 million across the Group as a result of both client rebalancing, due to market gains over the period, and some client liquidations in the Frontier and Opportunistic Value strategies.

Total in flows – out flows



Years shown represent financial year data which reflects the previous financial year end FuM as a starting point.

PRODUCTS

The Emerging Markets CEF strategy (EM) utilises CEFs to provide exposure to global emerging markets.

The Conservative Balanced strategy utilises a combination of CEFs and other securities, providing exposure to fixed income and equity exposure in US and global markets.

The International Equity CEF strategy (INTL) utilises our experience with CEFs in our core EM strategy to provide exposure to global developed markets.

The Opportunistic Value CEF strategy (OV) encompasses a variety of asset classes via CEFs and adopts a, go anywhere, approach. While this is a separate team from the team managing client assets in EM, both teams use the same methodology and internal operational resources. Both taxable and tax-exempt products are available.

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

The REIT strategies, EM and International are focussed on finding value within the global universe of listed real estate investment trusts.

BUSINESS DEVELOPMENT REVIEW

CONTINUED

Business diversification – Products map

Emerging Market	International	Opportunistic Value	KIM Balanced	REITs
• Global Emerging Markets – 1991 • China A Share – 2003 • Frontier – 2005 • Special Situations – 2012 • Private Equity – 2016	• International Equity – 2009 • Taxable International Equity – 2019	• Opportunistic Value – 2014 • Tactical Income – 2014 • US Municipal Bonds – 2018	• Taxable Fixed Income – 1993 • Tax-sensitive Fixed Income – 1993 • Equities – 1993 • Short-term Fixed Income – 1993 • Growth Balanced – 2004 • Conservative Balanced – 2004	• EM REIT – 2019 • International REIT – 2019

Performance

Long-term investment performance across the EM and INTL CEF strategies, as well as Conservative Balanced, remains strong, with first or second quartile results versus manager peers over the three, five and ten-year rolling periods ending 30th June 2021.

The EM, Conservative Balanced, INTL, and OV strategies outperformed over the year net of fees, while the Frontier strategies underperformed. Strong NAV performance at the underlying CEFs and positive discount effects were the main contributors to performance. The Frontier strategy suffered from weak NAV performance.

The Global Emerging Markets Composite net investment returns for the rolling one year ending 30th June 2021 were 47.3% vs. 40.9% for the MSCI Emerging Markets Index in USD, and 43% for the S&P Emerging Frontier Super BMI Index in USD.

The KIM Conservative Balanced Composite net investment returns for the rolling one year ending 30th June 2021 were 22.4% vs. 18.3% for the Morningstar US Fund Allocation – 30% to 50% Equity Category in USD.

The International CEF Composite net investment returns for the rolling one year ending 30th June 2021 were 53.3% vs. 35.7% for the MSCI ACWI ex-US in USD.

The Frontier Markets Composite net investment returns for the rolling one year ending 30th June 2021 were 43.7% vs. 45.4% for the S&P Extended Frontier 150 benchmark in USD.

The Opportunistic Value Composite net investment returns for the rolling one year ending 30th June 2021 were 38.9% vs. 19.8% 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. An institutional marketing resource was hired to introduce KIM investment strategies to US registered investment advisers. We will also continue to introduce our capabilities to family offices, outsourced CIO firms, and alternative consultants.

Our International CEF, Balanced mandates and Opportunistic Value capabilities will be the focus of our product diversification and business development activities.

OUR BUSINESS MODEL

WHAT WE DO: Initially, and for many years since the Group was founded, CLIM's expertise was very specific to closed-end funds which offered emerging markets exposure. Over time, CLIM has diversified into a multi-strategy fund manager. KIM became part of the CLIG Group with effect from 1st October 2020.

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 CEFs.

CLIM (INSTITUTIONAL FOCUS)

- Emerging Markets
- International
- Opportunistic Value
- Frontier
- REITS

KIM (HNW FOCUS)

- Taxable Fixed Income
- Tax-sensitive Fixed Income
- Equities
- Growth Balanced
- Conservative Balanced
- Short-Term Fixed Income

HOW WE MANAGE: 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 employees 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.

CLIM (INSTITUTIONAL FOCUS)

- Management team of 12 senior managers
- Average tenure of 12 portfolio managers is 15 years

KIM (HNW FOCUS)

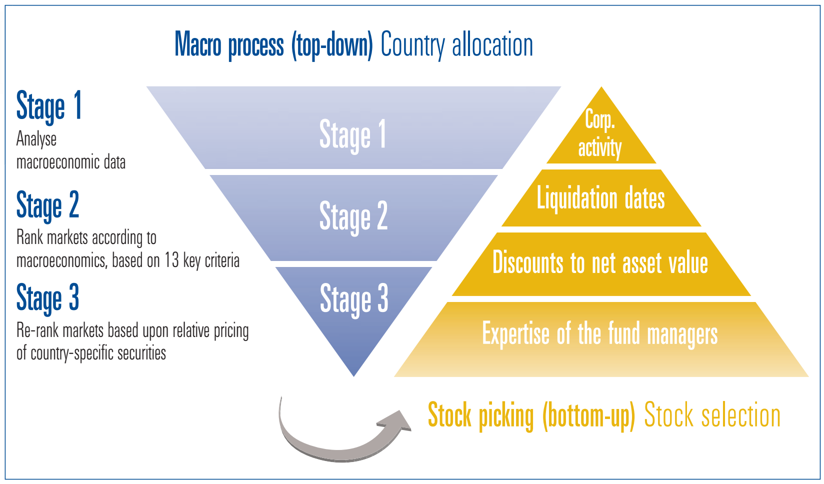
- Management team of 4 senior managers
- Average tenure of 9 portfolio managers is 14 years

OUR BUSINESS MODEL
CONTINUED

HOW WE DO IT: At **CLIM**, we have developed and nurtured a team investment process that 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.

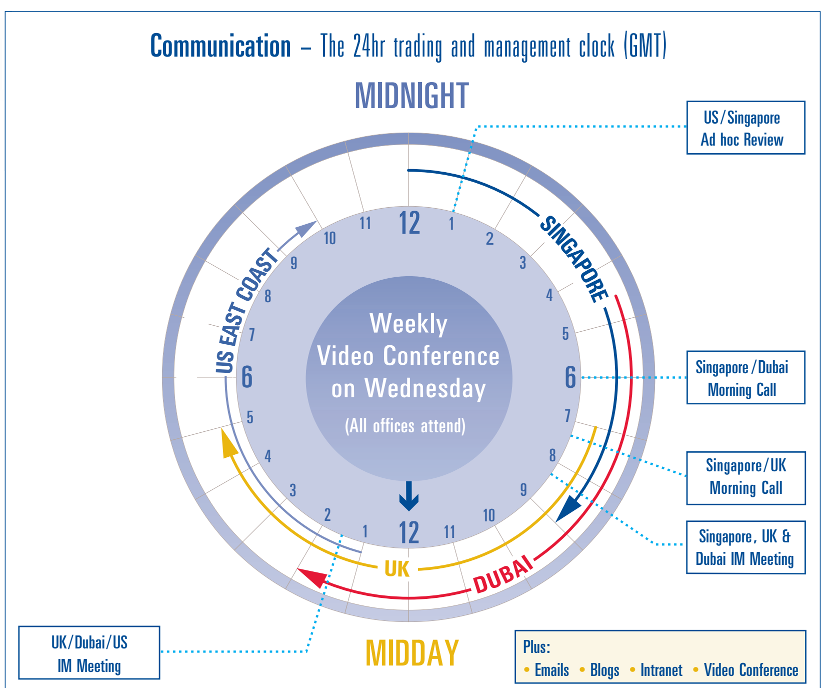
CLIM'S INVESTMENT PROCESS

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.



CLIM'S COMPETITIVE ADVANTAGE

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.



KIM has been an active investment manager since the Company's inception in 1986. With the focus of managing risk, our Investment Committee formulates our economic overview by reviewing the economic cycle, analysing historical valuations, analysing growth and policy prospects, and analysing liquidity and economic momentum.

KIM'S INVESTMENT PROCESS

Once an overview is established, a target investment matrix is then created. Sector weightings, yield curve positioning, and duration targets are guided by this research. Analysts continuously conduct a security-by-security analysis to identify and capitalise on market inefficiencies.

Our focus is on the advantages offered by purchasing securities, particularly CEFs, at a discount. However, we also utilise index-based securities if CEFs are not trading at what we believe are attractive discounts. Once purchased, holdings are analysed on an ongoing basis. KIM continuously monitors key investment variables, as well as corporate governance attributes to assess whether shareholder value is being maximised.

KIM'S COMPETITIVE ADVANTAGE

IN-HOUSE RESEARCH

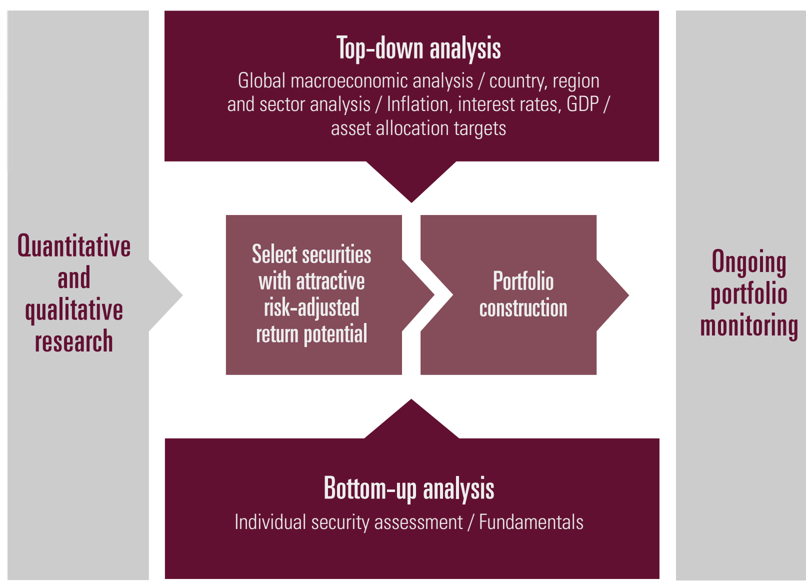
By conducting our own proprietary, in-house research, our strategists, analysts, portfolio managers, and traders work together to generate independent and unbiased ideas.

EXTENSIVE EXPERIENCE

Our insight and extensive experience in closed-end funds identifies opportunities others may miss. It also allows us to avoid pitfalls that others may not be aware of.

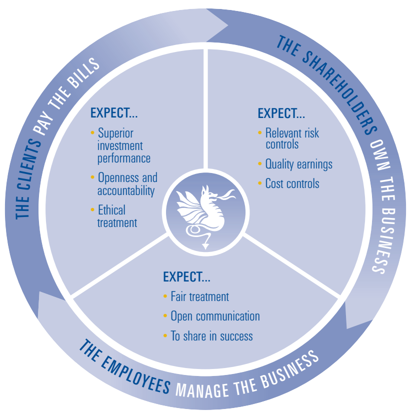
AGILITY

Our Company's size also allows us to capitalise on fundamentally attractive market inefficiencies as they arise.



OUR STRATEGY AND OBJECTIVES

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



THE CLIENTS: PAY THE BILLS

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

THE EMPLOYEES: MANAGE THE BUSINESS

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

THE SHAREHOLDERS: OWN THE BUSINESS

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

OUR STRATEGIC GOAL	WHY IT IS IMPORTANT
Outperform	CLIG's two operating subsidiaries are active managers, and their job is to add value over and above a relevant benchmark through an investment cycle which we define as five years.
Retain employees	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.
Increase FuM from long-term investors	The client base of CLIG's two operating subsidiaries is long-term and US based, and include pension funds, foundations, endowments and other institutional money managers.
Remain open in our dealings with shareholders, available and accountable	We believe that our shareholders have a right to know what to expect from us.
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.
Corporate citizenship	Over the past few years there has been a realisation that corporations have a responsibility both for, and separately within, the community.
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.

HOW WE ARE DOING	LINK TO ADDITIONAL KPI*
CLIM • Our investment horizon is five years, and over this period the three strategies that make up ~99% of CLIM's Funds under Management are all outperforming their peers and benchmark. **KIM** • Long and short-term performance remains solid, with the KIM investment process continuing to add value on behalf of clients in the face of volatile markets.	Investment performance page 24.
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.	Employee longevity page 25.
We have always taken great pride in our client retention outreach programme, and remain open and accountable.	Client entity longevity page 25.
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 try to make all of our announcements clear and accessible. Refer to page 22 for our dividend cover chart and dividend policy.	Dividend paid and proposed per share page 2.
A stable workforce limits the cost of recruitment and other costs related to employee turnover. We do not work in expensive offices and when we travel we do not stay in five star hotels. Keeping overheads 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 is available in all our offices. Due to COVID-19, there was minimal air travel during the financial year.	Weighted average net fee rate page 26. Cost/Income ratio page 26.
We encourage employee participation in 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 employees, 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 programmes but also within the workplace.	Refer to details on community contributions referenced within the corporate and social responsibility policy page 36.
The corporate goal of diversifying the Group's income by building strategies complementary to the flagship Emerging Markets (EM) CEF strategy was, and continues to be, a priority. The merger with KIM has allowed that diversification to occur more quickly, as the EM strategy at CLIM has been reduced to 47% of the combined entity as of 30th June 2021. Within CLIM, marketing efforts remain focussed on the non-emerging strategies to grow the business.	FuM & diversification page 27.

*Refer to page 24 of explanation of additional KPIs.

OUR STRATEGY AND OBJECTIVES

CONTINUED

Dividend cover chart

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 here 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 assumptions included in the chart.

Dividends

We have communicated and maintained a policy of distributing a proportion of net profits to shareholders by way of ordinary dividends with a target of 1.2 times (1.2x) coverage ratio over a rolling five-year period. This coverage ratio allows for the needs of the three primary stakeholders to be balanced.

SHAREHOLDERS

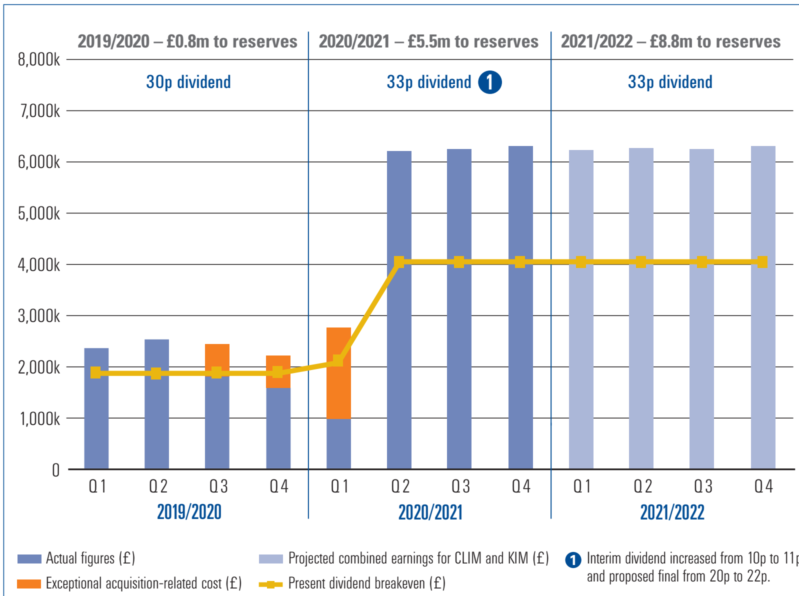
Receive a predictable and consistent income stream at an attractive yield that drives demand for the shares in the marketplace.

MANAGEMENT/EMPLOYEES

Retain a conservative amount of cash at the corporate level to weather shocks due to the volatility of underlying assets. This allows for management to take advantage of opportunities that arise during periods of market dislocations when competitors and the marketplace are stressed.

CLIENTS

Have confidence that the underlying business which they are investing in will be an ongoing entity with stable ownership/governance/employees.



Key assumptions

- Number of CLIG Shares in issue (50.7m) less those held by the Employee Benefit Trust (1.6m) as at 30th June 2021.
- Excludes unrealised loss/gains on seed investments.
- Excludes amortisation of intangibles arising on the merger.

	CLIM	KIM
• Starting FuM as at	1-Jul-21	1-Jul-21
• Net increase in FuM in 2021/2022 (straight-lined to June 2022)	US$250m	US$135m
• Market growth:	0%	0%
• Corporation tax based on an estimated average rate	21%	24%
• Exchange rate assumed to be for entire period	£1/$1.38	£1/$1.38

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 was reviewed in 2019. No changes were proposed. It was designed to incorporate the required flexibility to deal with the potential volatility of CLIG's income.

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 CLIG's earnings as a result of its significant present exposure to the emerging markets.
- This would imply a cover ratio of 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.

KEY PERFORMANCE INDICATORS

As our focus is to create shareholder value, we may revise the reporting of these Key Performance Indicators (KPIs) as their level of importance changes through market cycles.

Total shareholder return

CLIG management has adopted two KPIs based on the total return of CLIG over a market cycle, which are designed to provide shareholders with an indication of the return they should expect from owning the CLIG business.

The KPIs are:

- **Our share price to compound annually at between 7.5% to 12.5%**

  -- OR --

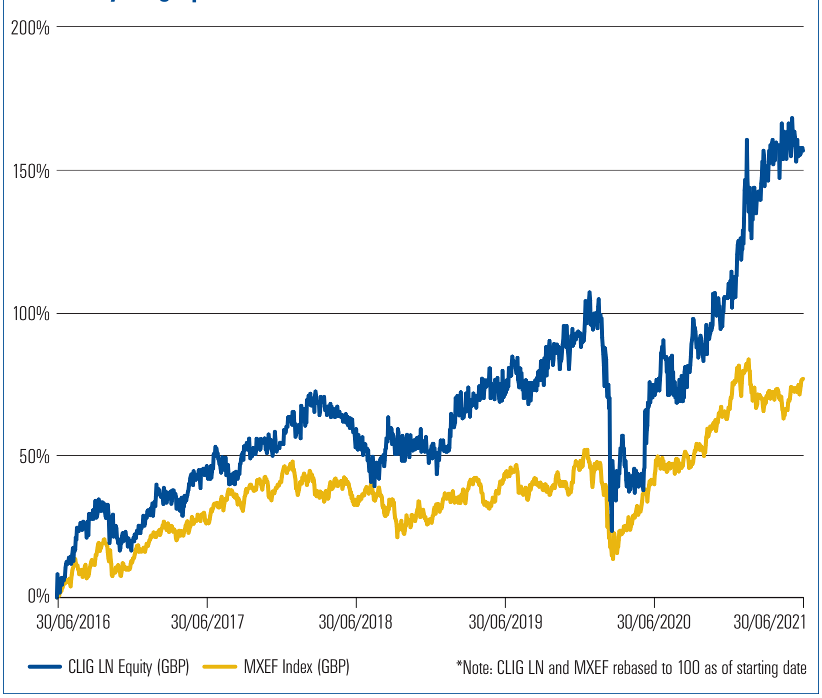
- **Our share price to double the cumulative return of the MXEF**

Our goal is to achieve one of the two over rolling five-year periods. These measures are meant to stretch the management team, without incentivising managers to take undue levels of risk.

For the five years ending 30th June 2021, CLIG's cumulative total return was 158.0% (20.7% per annum). We therefore meet KPI #1, as the annualised total return outperformed the desired range. We also meet KPI #2, as the cumulative total return of 158% is more than double MXEF's cumulative total return of 77.4%. Since listing in April 2006, the annualised return of a CLIG share is 15.1%.

Due to diversification of CLIG's business away from the original EM strategy, the CLIG Board is recommending a change in the CLIG Share Price KPI, removing the second KPI related to the MXEF Index, which is the broad EM benchmark. This change is in effect as of 1st July 2021 for the forthcoming financial year, therefore this report is the final time the comparison of CLIG vs. MXEF will be used.

CLIG five-year graph vs MXEF



Overview
Strategic report
Governance
Financial statements
Shareholder information

KEY PERFORMANCE INDICATORS
CONTINUED

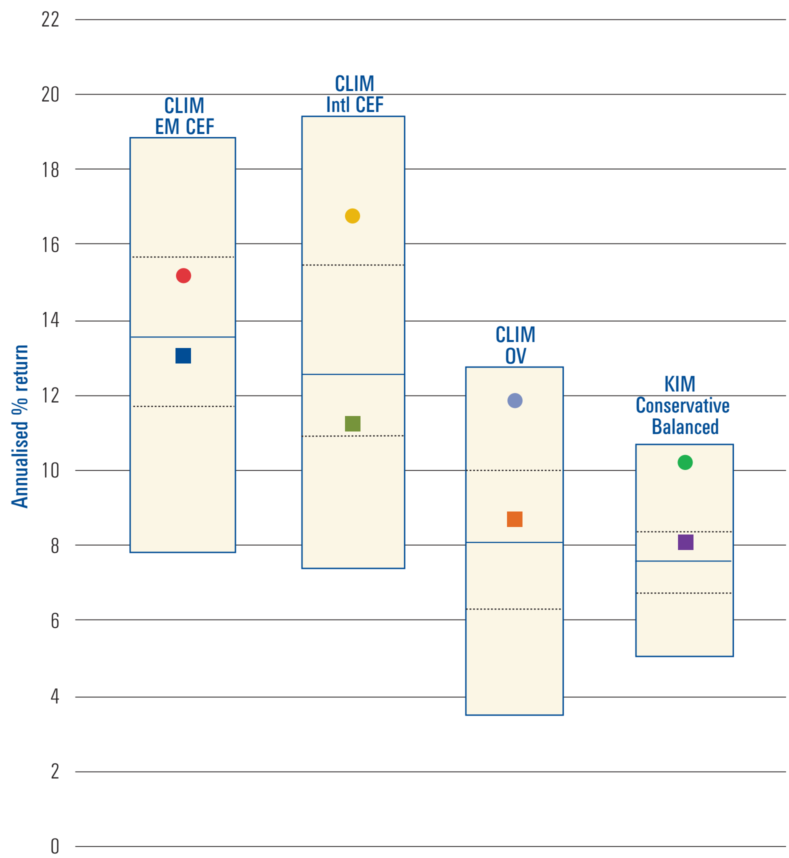
Separate from our share price, which we consider to be our main KPI, we have selected additional KPIs that we believe will enable shareholders to measure the future viability of CLIG. These are as follows:

1 INVESTMENT PERFORMANCE

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

As detailed in the investment reviews, over 90% of the underlying strategies managed by CLIM and KIM are ahead of benchmark and peer group averages over five years.

Five-year peer group* quartile chart



- ● Emerging (Free) Markets Country Fund Composite
- ● Global Developed CEF International Equity Composite
- ● Opportunistic Value Composite
- ● Conservative Balanced Composite
- ■ MSCI EM Net TR Index
- ■ MSCI ACWI ex-US Net TR Index
- ■ Blended 50/50 MSCI ACWI/Barclays Global Agg Index
- ■ Morningstar Mod Con Tgt Risk TR USD Index

*CLIM and KIM returns are compared to their respective eVestment and Morningstar universes.

The above returns are annualised and presented as gross of fees performance figures, which do not reflect the deduction of investment management fees. The Emerging (Free) Markets Country Fund Composite and MSCI EM Net TR Index are shown against the eVestment Global Emerging Markets Equity Universe of which 93.0% has been updated. The Global Developed CEF International Equity Composite and MSCI ACWI ex-US Net TR Index are shown against the eVestment All ACWI ex-US Equity Universe of which 96.6% has been updated. The Opportunistic Value Composite and the Blended 50/50 MSCI AWCI/Barclays Global Agg Index are shown against the eVestment All Global Balanced/TAA Universe of which 91.7% has been updated. The KIM Conservative Balanced Composite and Morningstar Mod Con Tgt Risk TR USD Index are shown against the Morningstar Separate Accounts – U.S. – Allocation – 30% to 50% Equity Universe.

Data is as of 30th June 2021. Past performance is no guarantee of future results.

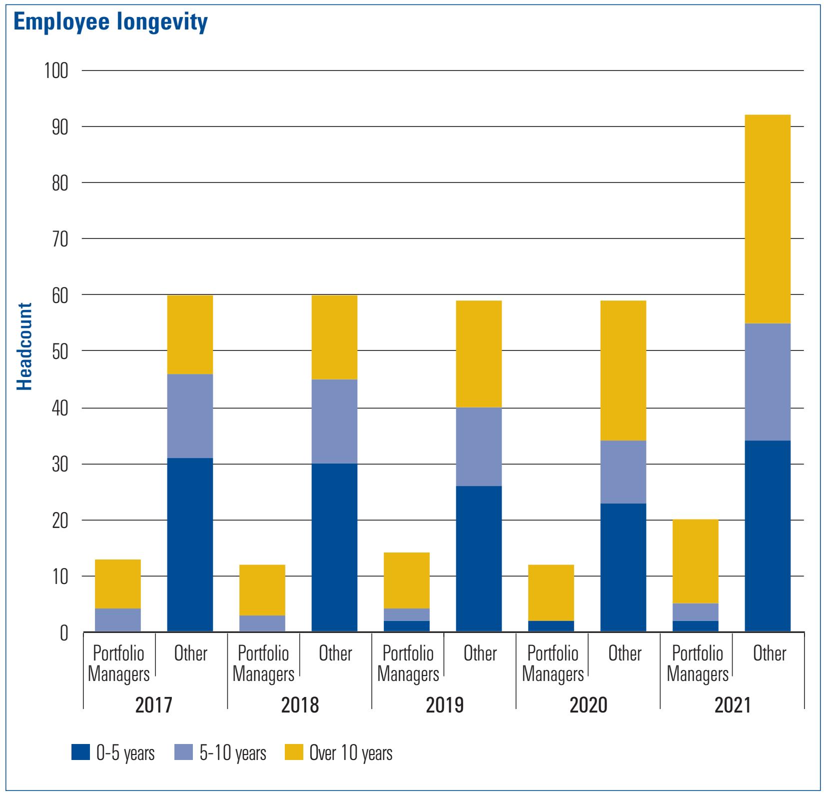
Source: eVestment Analytics System, BNY Mellon, City of London Investment Management Company Limited, MSCI, Barclays, Morningstar, KIM

2. EMPLOYEE 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.

The increase in the number of employees and their longevity profile is on account of the addition of KIM's employees upon merger. 90% of our 21 portfolio managers have been with the Group* for five or more years, and 47% of all employees have been with the Group* for over ten years.

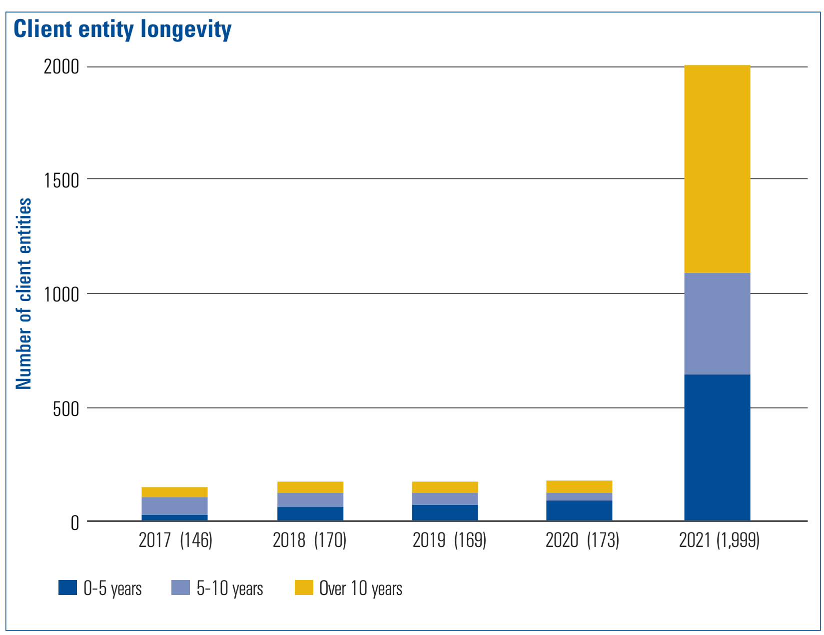
** or with KIM pre-merger*



3. CLIENT ENTITY 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.

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. As at 30th June 2021, CLIM had 57 client entities in over 10 years (2020: 54), 31 in 5-10 years (2020: 34) and 89 in 0-5 years (2020: 85). The increase in the number of client entities and their longevity profile is on account of the addition of KIM's clients upon merger.



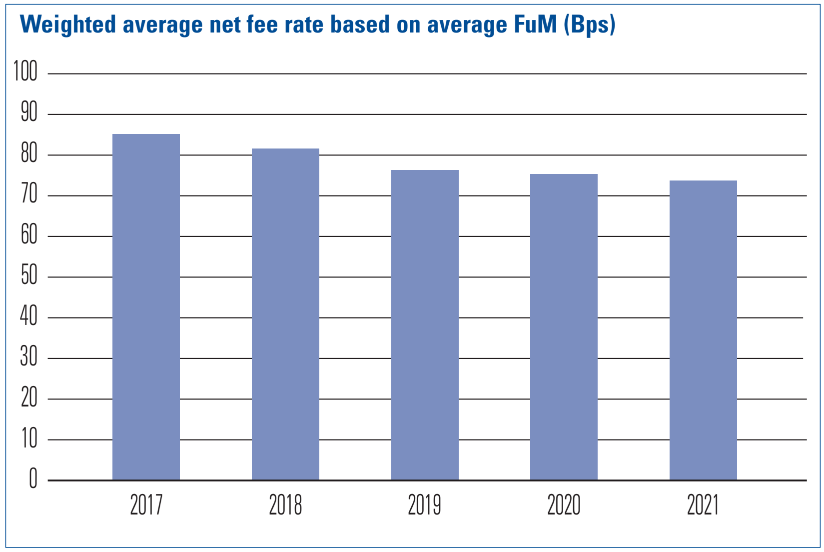
KEY PERFORMANCE INDICATORS

CONTINUED

4 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 are the principal factors that impact the weighted average rate.

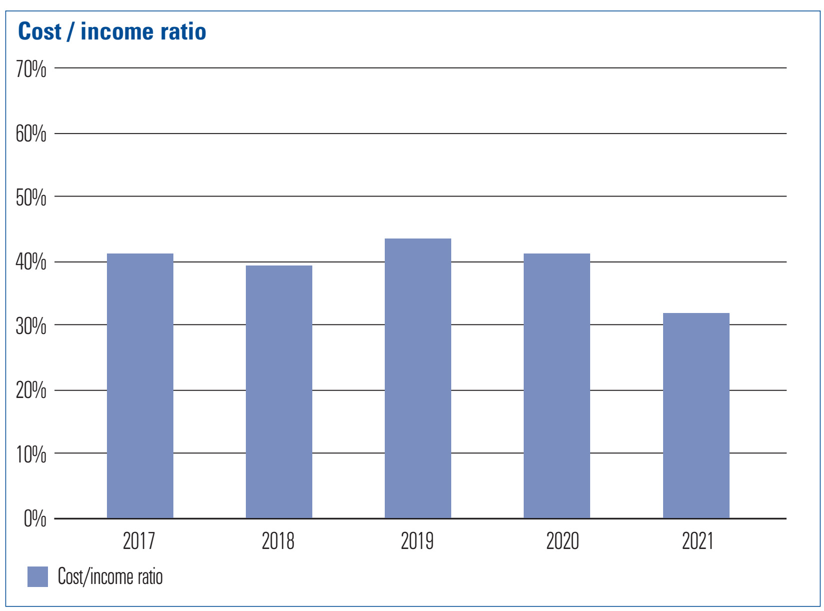
The chart opposite shows the annual net fee income measured as a percentage of the average annual FuM.



5 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 for the Group is based on our total overheads to net fee income (as set out on page 30), and has significantly reduced to 32% in 2021 (2020: 41%), a reduction of 22%, mainly because of the higher margin and lower cost KIM business.

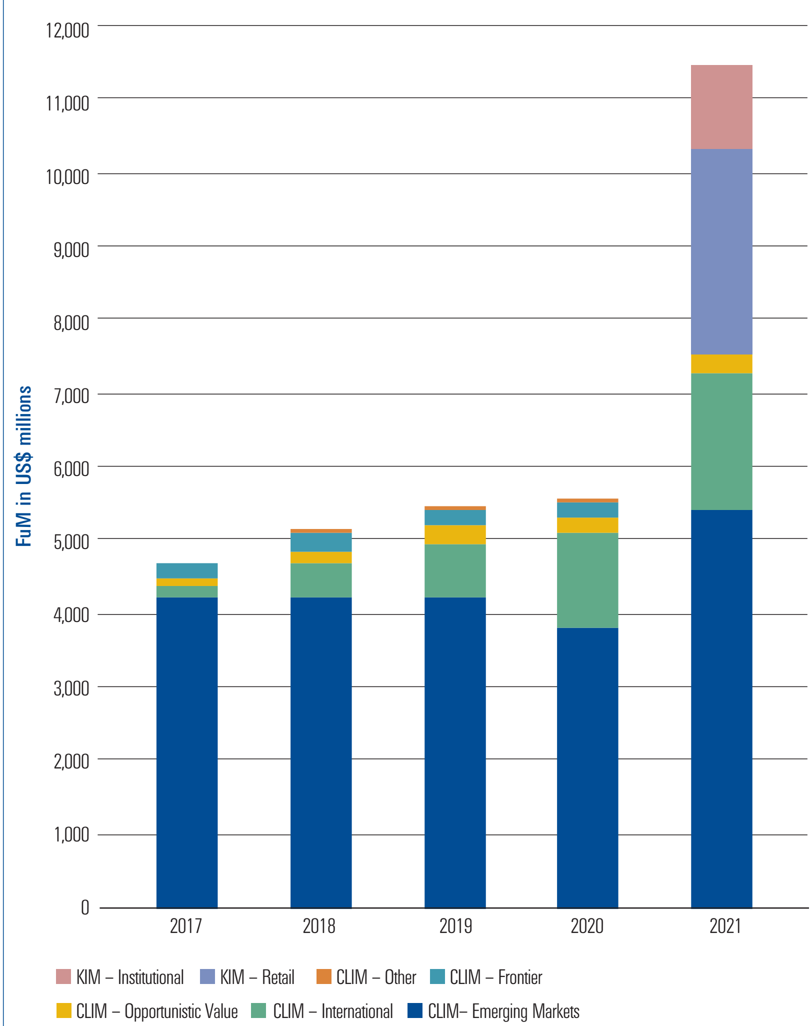


6. FuM AND DIVERSIFICATION

The level of FuM is a key driver in the Group's profitability. Our main business development strategy is to diversify our product range. The merger with KIM in the current year has allowed that diversification to occur much more quickly.

Overall, FuM at the end of the financial year is 108% higher than the end of the prior financial year, principally due to the merger with KIM and the increase in FuM within CLIM's EM and INTL strategies.

FuM by strategy



Overview

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RISK MANAGEMENT

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

Group's risk management framework

The CLIG Board has the ultimate responsibility for setting the risk management framework for the Group, including discussing and agreeing what the Group's overall top risks are, which are reviewed by the Board at each scheduled Board meeting.

A Group-level risk register has been established which identifies principal current and emerging risks. The risk register provides a measure of the principal risks and a Red, Amber, Green (RAG) status based on the level of risk, frequency and mitigating controls in place.

Following the completion of the merger, CLIM's Risk & Compliance Committee (RCC) and KIM's Compliance Committee have the responsibility of the day-to-day oversight of the risk management process at the respective operating subsidiaries.

CLIM

CLIM's Board has established an RCC, which is chaired by CLIM's Head of Compliance. The other members of the RCC are the Executive Directors of CLIM, the US Chief Compliance Officer and CLIG Internal Counsel. The purpose of the RCC is to assist the CLIM Board in the oversight, maintenance and development of CLIM's current and emerging risks and compliance frameworks in adherence with its risk appetite.

CLIM's risk management process requires, on a semi-annual basis, that each department/line of business, via a departmental risk assessment, review its current and emerging risks and the business processes that occur in each and assign 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 quarterly 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 the CLIM risk register, breaches and errors, personal account dealing, other business interests, gifts and hospitality, complaints, AML updates including new clients on-boarded, ongoing screenings, capital adequacy, liquidity, employee training, outsourcing and key regulatory updates, as well as approving new or updated CLIM policies.

The RCC via CLIM's Head of Compliance reports to the CLIG Board on a quarterly basis and CLIG's Audit & Risk Committee at each of its three scheduled meetings.

KIM

The KIM Board has established a Compliance Committee which is chaired by KIM's Chief Compliance Officer (KIM CCO) and includes three other members: KIM's Chief Financial Officer; Senior Vice President & Director of Operations; and KIM's Chief Investment Officer/President.

The Committee's purpose is to review and assess the Company's investment adviser compliance programme in the following manner: assist the KIM CCO with administering the investment adviser compliance programme; evaluate the Company's compliance with federal securities laws; monitor compliance with the Company's policies and procedures as set forth in the Compliance Manual and Code of Ethics; oversee and assess the Company's Information Security policy and Business Continuity and Disaster Recovery Plan; oversee and assess the Company's Identity Theft Prevention Programme; and address other matters that the Management Committee deems appropriate.

The Committee meets as often as it may be deemed necessary or appropriate in its judgement, either in person or remotely, and at such times and places as the Committee shall determine; provided, however, that the Committee shall meet at least quarterly in the discharge of its duties. The Committee, via the KIM CCO, reports to the CLIG Board on a quarterly basis and CLIG's Audit & Risk Committee at each of its three scheduled meetings.

Internal controls

The Group maintains a comprehensive system of internal controls, including financial, operational and compliance/risk controls.

As mentioned earlier, on a six-monthly basis each department of business within CLIM is required to review and update their individual risk assessment. Additionally, each department of business within CLIM is subject to an annual review by senior management, who are required to identify and report on the key controls pertinent to their responsibilities. The senior management team at KIM is responsible for ensuring adequate internal controls within KIM.

The Board reviews the effectiveness of the system of internal controls on an ongoing basis and this process is subsequently evaluated by the Audit & Risk Committee. The Board and the Audit & Risk 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 was not required during the year.

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. This assessment includes continuous monitoring of both internal and external environments to identify new and emerging risks, which in turn are analysed to determine how they can best be mitigated and managed. The primary risk is the potential for loss of 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.

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

	PRINCIPAL RISK	CONTROLS / MITIGATION
Key person risk	Risk that key employees across the business leave/significant reliance on a small number of key employees.	Team approach, internal procedures, knowledge sharing. Remuneration packages reviewed as needed to ensure talent/key employees are retained.
Technology, IT/ cybersecurity and 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)/ Business Continuity plan. All offices maintain backups of all local servers, applications and data. The US replicates its backup to the UK cloud provider and vice versa. Employees across its five offices are able to work remotely, accessing information and maintaining operations.
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 by the Investment Management/Compliance teams of each operating subsidiary.
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 and its operating subsidiaries operate, including those as a result of being a listed entity on the London Stock Exchange. Risk that new regulation or changes to the interpretation of existing regulation affects the Group's operations and cost base.	Compliance teams of each subsidiary monitor relevant regulatory developments – both new regulations as well as changes to existing regulations that impact their respective subsidiary. Implementation is done as practicably as possible taking into account the size and nature of the business. The finance team keeps abreast of any changes to Listing Rules, accounting and other standards that may have an impact on the Group. Finance and both the compliance teams receive regular updates from a variety of external sources including regulators, law firms, consultancies etc.
COVID-19	The Group acknowledges that COVID-19 poses a risk to the level of FuM it manages. The Group's profitability is directly linked to the level of FuM and a sustained fall in financial markets as a result of COVID-19 will directly affect the Group's FuM and profitability.	The Group has contended with several challenges posed by the COVID-19 pandemic, including market volatility and new ways of working. Remotely, we were fully operational throughout the pandemic. We continue to manage our assets as if our employees were in the office, no changes have been made to the existing investment process and oversight of the investment teams and the business as a whole from Compliance has continued as business as usual. It is too early to reach a meaningful conclusion on the longer-term impacts of the COVID-19 pandemic. We continue to monitor the situation and are confident that we are able to adapt and develop plans as necessary.

In addition, there are a number of less significant financial risks outlined in note 25 on pages 124 to 126.

FINANCIAL REVIEW

The Group income statement is presented in line with International Financial Reporting Standards (IFRS) on page 94 but the financial information is reviewed by the management and the Board in a slightly different way, as in the table provided below. This makes it easier to understand the Group's operating results and shows the profits to which the Group's profit-share provision apply.

Consolidated income for financial years ended 30th June

	2021 £'000	2020 £'000
Gross fee income	55,123	33,263
Finder's commission	(1,101)	(167)
Custody & administration	(1,572)	(1,425)
Net fee income	52,450	31,671
Interest	(117)	(57)
Total net income	52,333	31,614
Employee costs before profit-share/EIP/share options	(11,126)	(8,572)
Other administrative expenses	(4,867)	(3,762)
Depreciation and amortisation	(719)	(633)
Total overheads	(16,712)	(12,967)
Profit before profit-share/EIP/share options – operating profit	35,621	18,647
Profit-share	(7,923)	(6,180)
EIP	(1,008)	(925)
Share option credit/(charge)	12	–
Investment gain/(loss)	540	(887)
Pre-tax profit before exceptional item and amortisation of intangibles acquired on acquisition	27,242	10,655
Acquisition – related costs	(1,743)	(1,248)
Amortisation of intangibles	(3,250)	–
Pre-tax profit	22,249	9,407
Tax	(5,259)	(2,041)
Post-tax profit	16,990	7,366
Other comprehensive income	(6,675)	(48)
Total comprehensive income	10,315	7,318

Group income statement and statement of comprehensive income

The merger with KIM was completed on 1st October 2020. KIM is a 100% wholly owned subsidiary of CLIG and the financial results of KIM for the nine-month period ended 30th June 2021 have been included in the consolidated income statement.

FuM

FuM at 30th June 2021 were US$11.4 billion compared with US$5.5 billion at the end of the prior financial year. The increase was predominantly due to the merger with KIM, which added US$3.6 billion of FuM on 1st October 2020. Further, CLIM's FuM grew 37% from US$5.5 billion as at 30th June 2020 to US$7.5 billion as at 30th June 2021 whereas KIM's FuM grew 9% from US$3.6 billion as at 1st October 2020 to US$3.9 billion as at 30th June 2021. Refer to the FuM summary on page 8 within the CEO statement. Average FuM for the year increased by 82% from US$5.3 billion in 2020 to US$9.7 billion in 2021.

Revenue

The Group's gross revenue comprises management fees charged as a percentage of FuM. The Group's gross revenue has increased YOY by 66% to £55.1 million (2020: £33.3 million). The increase in revenue is primarily due to higher average FuM during the year, however this has been partially offset by a stronger sterling against the US dollar, with an average GBP/USD rate of 1.35 this year compared with 1.26 last year, an increase of c.8% over last year.

Commission payable of £1.1 million (2020: £0.2 million) relates to fees due to US registered investment advisers for the introduction of clients at KIM. The 2020 amount related to commission payable to third party marketing agents for introduction of clients to CLIM but this contract was settled in 2020 and there are no further commissions payable by CLIM.

The Group's net fee income, after custody charges of £1.6 million (2020: £1.4 million), is £52.5 million (2020: £31.7 million), an increase of 66% on last year. The Group's average net fee margin for the year was 74bp as compared to 75bp for the year ended June 2020.

Costs

Overheads for the year totalling £16.7 million (2020: £13.0 million) were 29% higher than 2020, which was on account of the inclusion of nine months of overheads for KIM from the date of merger. The Group cost/income ratio is arrived at by comparing total overheads with our net fee income, and has reduced significantly by 22% to 32% in 2021 from 41% in 2020, as a result of contribution from the higher margin and lower cost KIM business.

The largest component of overheads continues to be employee related at £11.1 million (2020: £8.6 million), an increase of 30% over last year. This is mainly on account of the increase in average headcount from 72 in FY 2020 to 99 in FY 2021 due to the merger. Other administrative overheads have increased by a similar 30% to £4.9 million (2020: £3.8 million).

Total net fee income less overheads resulted in a profit before profit-share/EIP/share options of £35.6 million (2020: £18.6 million).

The total variable profit-share amounted to £7.9 million as compared with £6.2 million in 2020, an increase of 28% mainly on account of the higher headcount due to the merger.

The Group's Employee Incentive Plan (EIP) was offered to all KIM employees from 1st January 2021 and 73% of them participated in the FY 2021 plan. The total EIP charges amounted to £1.0 million (2020: £0.9 million), the increase a result of KIM employees participating in the current year's plan.

During the year, the Group has granted share options to certain Executive Directors and employees under the Group's Employee Share Option Plan. The total share option credit booked in the current year is £12,023 (2020: nil), which comprises of £10,358 charge in relation to share options issued in the current year, offset by £22,381 of credit on account of forfeited options.

Investment gains/(losses)

Investment gains of £0.5 million (2020: loss of £0.9 million) relates to the unrealised gains/(losses) on the Group's seed investments in its two REIT funds, and other investments of £0.5 million (2020: £0.7 million loss). It also includes the unrealised gains relating to minority third party interests in the REIT funds of £19,285 (2020: £193,602 loss).

Acquisition-related costs

Exceptional items are items of income or expenditure that are significant in size and that are not expected to recur. Such exceptional items have been separately presented by virtue of their nature to enable a better understanding of the Group's financial performance. Total merger-related acquisition costs amounted to c.£4.0 million. Of this total, £1.2 million was incurred in 2020 and was charged to the last year's income statement as an exceptional item, £1.7 million has been charged to the current year's income statement as an exceptional item and the balance of £1.0 million of share issuance costs has been charged directly to retained earnings.

Merger with KIM

The merger with KIM was effected by way of a scheme of arrangement and satisfied through issuance of new ordinary shares. The fair value of the equity consideration is reflected in the shareholders' equity with the creation of a merger reserve. In accordance with IFRS 3 'Business Combinations', the Group has recognised intangible assets of £41.6 million relating to direct customer relationships, distribution channels and KIM's trade name. These intangible assets are being amortised over 7-15 years (refer to note 1.6 of the financial statements) and have resulted in an amortisation charge of £3.2 million for the year (2020: nil). Deferred tax liability amounting to £9.9 million has been recognised against these intangible assets based on the relevant tax rate, which will unwind over the useful economic life to the associated assets. Goodwill amounting to £69.7 million has also been recognised on the completion of the merger. Foreign currency translation on the closing balances of intangibles has been recognised in other comprehensive income. Refer to notes 6 and 12 of the financial statements for more details.

Taxation

The pre-tax profit of £22.2 million (2020: £9.4 million), after a corporation tax charge of £5.3 million in 2021 (2020: £2.0 million), at an effective rate of 24% (2020: 22%), results in a post-tax profit of £17.0 million (2020: £7.4 million), of which £17.0 million (2020: £7.6 million) is attributable to equity shareholders of the Company.

Group statement of financial position

The Group's financial position continues to be strong and liquid, with cash resources of £25.5 million as at 30th June 2021 as compared with £14.6 million as at 30th June 2020.

The Group had invested US$5 million (£3.9 million) in seeding its two REIT funds at the start of January 2019. By the end of June 2021, these investments were valued at £4.2 million (2020: £3.8 million), with the unrealised gains (2020: losses) taken to current year's income statement.

The International REIT fund is assessed to be under the Group's control and is thus consolidated using accounts drawn up as of 30th June and includes third party investments, collectively known as the non-controlling interest (NCI). An external investment was received in the EM REIT fund in 2020 and it was assessed to be no longer under the Group's control and thus it is not consolidated in the Group's financial statements. Fair value of the EM REIT fund is included as other investments along with the Group's other investments in its own funds. Refer to note 13 of the financial statements for more details.

FINANCIAL REVIEW
CONTINUED

FX/Post-tax profit matrix
Illustration of US$/£ rate effect:

FuM US$bn	9.5	10.5	11.4	12.0	12.5
US$/£			Post-tax, £m:		
1.28	17.4	20.4	23.5	25.4	27.3
1.33	16.5	19.4	22.3	24.2	26.0
1.38	15.6	18.4	21.3	23.0	24.8
1.43	14.8	17.6	20.3	22.0	23.7
1.48	14.1	16.7	19.4	21.0	22.6

Assumptions:	CLIM	KIM
1 Average net fee	73 bp's	77 bp's
2 Annual operating costs	£6.3m plus US$8m plus S$1m (£1 = S$1.90)	US$8.3m
3 Average tax	21%	24%
4 Amortisation of Intangible £3.3m per annum		

Note: This 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.

Following the adoption of IFRS 16 Leases, the Group's right-of-use assets (net of amortisation) amounted to £2.8 million as at 30th June 2021 as compared with £1.9 million as at 30th June 2020. Additions to the right-of use assets during the year are on account of leasing of office equipment and KIM's property lease, acquired on merger, which has since been modified and extended during the period.

The EBT purchased 496,354 shares (2020: 483,250 shares) at a cost of £2.5 million (2020: £2.0 million) in preparation for the annual EIP awards due at the end of October 2021.

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 21.1% (2020: 16.5%) of the shares vesting during the year were sold in order to help cover the employees' resulting tax liabilities, leading to a very healthy 78.9% (2020: 83.5%) share retention within the Group.

In addition, Directors and employees exercised 226,875 (2020: 108,875) options over shares held by the EBT, raising £0.8 million (2020: £0.4 million) which was used to pay down part of the loan to the EBT.

Dividends paid during the year totalled £9.7 million (2020: £7.0 million). The total dividend of 31p per share comprised: the 20p per share final dividend for 2019/20 and 11p per share interim dividend for the current year (2020:18p per share final for 2018/19 and 10p per share interim). The Group's dividend policy is set out on page 22.

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, CLIM, is regulated by the FCA. As required under the Capital Requirements Directive, the underlying risk management controls and capital position are disclosed on CLIM's website **www.citlon.co.uk.**

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 opposite 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 1.38 to 1.28 increases post-tax profits by £2.2 million from £21.3 million to £23.5 million on FuM of US$11.4 billion.

It is worth noting though that while the Group's fee income is assessed by reference to FuM expressed in US dollars, almost 47% of the underlying investments are primarily in emerging market-related stocks, 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 2021, these forward sales totalled US$8.3 million, with a weighted average exchange rate of US$1.40 to £1 (2020: US$5.0 million at a weighted average rate of US$1.24 to £1).

Viability statement

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the viability of the Group with reference to the COVID-19 pandemic, 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 28 to 29.

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. The level of scenarios included within the ICAAP are significantly more severe than the ongoing and potential future impact of COVID-19 pandemic.

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 has therefore determined that a three-year period constitutes an appropriate timeframe for its viability assessment.

Given the above, the Directors also considered it appropriate to prepare the financial statements on the going concern basis as set out on page 84.

Alternative Performance Measures

Underlying profit and profit before tax	Jun 21 £	Jun 20 £
Net fee income	52,450,936	31,671,002
Administrative expenses	(25,631,432)	(20,072,617)
Net interest paid	(117,063)	(56,146)
Underlying profit before tax	26,702,441	11,542,239
Add back/(deduct):		
Gain/(loss) on investments	540,172	(887,543)
Acquisition-related costs	(1,743,424)	(1,248,195)
Amortisation on acquired intangibles	(3,250,185)	–
Profit before tax	22,249,004	9,406,501

Alternative Performance Measures

The Directors use the following Alternative Performance Measures (APMs) to evaluate the performance of the Group as a whole:

Underlying profit before tax – Profit before tax, adjusted for gain/loss on investments, acquisition-related costs and amortisation of acquired intangibles. This provides a measure of the profitability of the Group for management's decision-making.

Underlying earnings per share – Underlying profit before tax, adjusted for tax as per income statement, tax effect of adjustments and non-controlling interest, divided by the weighted average number of shares in issue as at the period end. Refer to note 9 in the financial statements for reconciliation on page 110.

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

CLIG recognises that, within the prime function of the two operating subsidiaries that manage investment assets on behalf of its clients, it 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 Company operates.

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.

Under the 2018 Corporate Governance Code, the Board is required to agree a mechanism to ensure ongoing engagement with the workforce. Barry Aling, Chair, has been designated as the Non-Executive Director for employee engagement.

Health and Safety

CLIG is committed to maintain a high level of Health and Safety (H&S). Internal H&S audits and risk assessments are conducted 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 employees and members of their immediate family.

Gender diversity

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 2021 the gender ratio at Board level was 18% female to 82% male (2020: 25% to 75%).

Of our 113 employees, excluding Non-Executive Directors, 36% are female (2020: 34%), including 31% of senior management including Executive Directors (2020: 40%), and 37% of the remaining employees (2020: 34%).

2021	Female	Male	Total
Executive Directors	0	4	4
Senior managers	5	7	12
All other employees	36	61	97
	41	72	113
NEDs	2	5	7
	43	**77**	**120**

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 working from home policies for Group employees.

Human rights

CLIG is committed to respecting all human rights. Our operations and practices relevant to the workplace and community are aligned with the United Nations (UN) Universal Declaration of Human Rights.

Learning and development

Our employees are an asset to us. We recognise and support the importance of encouraging all employees 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 and IMC studies. This is in addition to the usual seminars and conferences our employees attend. Mandatory anti-money laundering and Code of Ethics training is provided annually to all employees. 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 programme that includes online courses and videos via a web-based portal to allow employees to complete their training from anywhere.

Internal training on our products is available to all employees. 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 Group and are confident carrying out the full scope of their duties.

In December 2020, CLIG implemented the following two policies across the Group:

- Anti-Harassment policy and Compliant Procedure.
- Diversity, Equity and Inclusion policy.

Our goal was to provide greater clarity and guidance on the expectations of employees and their actions, as well as formalising the support of the Group, across these topics.

The following actions have been taken since the policies were implemented:

- A Diversity Working Group was established, with membership including two Executive Directors and other employees (including HR) responsible for reporting on, or assisting in the implementation of Diversity, Equity and Inclusion-related initiatives.

- The Diversity Working Group is responsible for researching best practices in the area, discussing ideas raised by employees and implementation.
- Human Resource managers reiterated the importance of receiving a diverse candidate pool with external recruitment firms, and reviewed the policies at the recruitment firms.
- Provided an electronic training session to all employees 'Fairness & Respect in the Workplace'.
- Provided an additional electronic training session to all managers 'Valuing Diversity for Managers'.
- For UK managers specifically, provided a video overview of the Equality Act 2010.
- Researched additional e-learning platforms for future training sessions on these topics.

2. ENVIRONMENT

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

Environmental policy initiatives

Employees and management of the Group, are committed to protect the environment in which we operate. Our operating subsidiaries provide an investment management service to their clients which has a relatively modest direct environmental impact. The Group recognise that we must first acknowledge, then measure, and then minimise environmental risks and, wherever commercially possible, improve the Group's overall environmental performance.

Similar to last year's report, in which we were still in the beginning stages of the pandemic, our overarching theme was to use the (unfortunate) catalyst of the pandemic to help the business's environmental profile after the return to the office(s) at some point in the future. We believe these small improvements will translate to material, longer-term reductions in the environmental footprint of the Group. A tangible example of this is that we have introduced electronic communications for our shareholders in FY 2021. This has not only increased the speed of communication but has also reduced print and distribution costs and our impact on the environment in line with our obligations to reduce carbon emissions.

Before we disclose/discuss the initiatives taken this year within the Group subsidiaries, please see page 36 for the required disclosure of greenhouse gas emissions over the past two years.

Please keep in mind that in FY 2021, KIM's emissions have been included from October, however there was minimal plane travel during the year, and the majority of employees across the Group worked from home for most (if not all) of the year. By comparison, the prior financial year includes nine months 'in the office' and travelling to visit clients across the globe pre-pandemic.

While we took measures to limit the energy spent at our physical offices due to our employees working from home, the offices were required to remain functional, and hardware such as servers continued to run.

A representative list of initiatives completed during the year, whereby technological advances were made to reduce the environmental impact of our activities, is below:

- Continue to maximise use of video-conferencing facilities, which is available in each office and serves to limit inter-office air travel by employees. We anticipate that as we transition to a post-pandemic environment, many of CLIM and KIM clients will be much more receptive to video-conferencing which will translate to long-term improvements by a reduction in flights. In a similar vein, CLIG shareholder meetings have been held via video conference since March 2020, and will be offered in the future for shareholders that wish to meet virtually.
- KIM was brought onto CLIG's video-conferencing facilities soon after the completion of merger on 1st October. In January, KIM provided a 'Virtual Client Briefing' as a way to efficiently and effectively reach a larger number of US-based retail clients.
- A secure electronic portal has been implemented to collaborate with the Board members, which not only allows to electronically distribute various Board and Committee papers efficiently but also acts as a repository for future reference. This has increased the speed of communication with the Board and has significantly reduced printing and distribution costs.
- Electronic payslips have been introduced in CLIM's US office which has eliminated printing and distribution costs.
- Two electronic signature services were implemented during the year.
- Transitioned fax machines to "E-Fax" server for two of CLIM's offices, with the other offices in progress. This will eliminate paper usage and facilitate easy retention and retrieval.
- Expand the use of a Microsoft SharePoint solution for expense approvals, removing paper from the process, and increasing standardisation and record keeping, increasing efficiencies for both managers, employees, and the finance department.
- CLIM's annual employee appraisals have been integrated with the Company's online HR portal allowing for seamless communication between employee and manager, removing paper from the process.
- An overall reduction in clients requesting/receiving printed materials, as the expectation is now for secure electronic delivery of presentation materials, monthly/quarterly portfolio updates, and other research-based publications.

Climate change risks

The climate change risks listed are not related to the underlying specific investments managed by either of the Group's subsidiaries on behalf of their respective clients, but instead, at a Group level.

At a Group level, we monitor the risks from a 'stakeholder' perspective, as our three main stakeholders (clients, employees, and shareholders) are intertwined. Risks related to climate change, include, but are not limited to:

- **Group's clients** are charged investment management fees based on asset levels managed on their behalf; if there are broad-based declines in the value of the companies or investment vehicles due to the impact of climate change that would impact the assets under management.

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

CONTINUED

Total CO_2e emissions

Operational scope	Greenhouse gas emission source	2021	2020	Units
Energy consumption	Electricity – UK	79	80	mWh
	Electricity – non-UK	323	212	mWh
Direct emissions (Scope 1)	Fuel combustion in owned sources	0	0	mWh
Indirect emissions (Scope 2)	Purchased electricity – UK	19	20	Tonnes CO_2e
	Purchased electricity – non-UK	135	96	Tonnes CO_2e
Indirect emissions (Scope 3)	Business travel: flights	9	255	Tonnes CO_2e
	Electricity transmission and distribution losses	8	8	Tonnes CO_2e
Total greenhouse gas emissions		171	379	Tonnes CO_2e
Intensity ratio		1.7	5.3	Tonnes CO_2e per FTE

Notes:
- Scope 1 emissions are direct emissions from sources owned or operated by the Group and have a mandatory reporting requirement.
- 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 government guidelines, we have also included an estimate of transmission and distribution losses, common to all buyers of electricity, under Scope 3 emissions.

- **Group's employees** are located in five areas around the globe, each with their own local risks due to climate change. Our Singapore and Dubai offices are all subject to the projected rise in sea levels, which is a risk to our employees who live and work in those areas. The city of Rochester, New York, USA, where the KIM employees are located, has published a 'Climate Change Resilience Plan' **(https://www.cityofrochester.gov/CCRP/)** for residents "to better prepare our community to adapt to climate change impacts". Additional issues relevant to our employees include the impact on infrastructure, agriculture, water supplies/scarcity, wildfires, and tree disease.
- **Group's shareholders** are at risk of lower revenues, based on lower fees charged to clients, due to lower market values of the underlying assets on the basis of climate change negatively impacting the profitability of the companies on the equity markets on which CLIM and KIM invest on behalf of their respective clients.

The Group is deeply committed to using the lessons learned during the pandemic to ensure that we realise material, long-term improvements in reducing the risks to the environment presented by the Group's business operations.

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 Conversion Factors for Company Reporting and the International Energy Agency's international electricity conversion factors to calculate carbon dioxide emissions for all office locations. The intensity measurement used is tonnes of carbon dioxide equivalent (CO_2e) per average number of full-time equivalent (FTE) employees during the year.

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.

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.

Illustrative list of employees' participation in FY 2021 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).
- Blood donation drive through American Red Cross (US & Dubai).
- Animal volunteer organisations supporting stray dogs and providing play areas (US).
- Student backpacks and school supplies donation to support local schools with underprivileged students (US).
- Various athletic achievements and fundraisers to support various causes such as Juvenile Diabetes Research Foundation, COVID-19 Charity Support and Cancer Research (US & UK).
- Local community COVID-19 support groups – shopping/running errands for vulnerable/shielding (UK).
- Government/NHS volunteers for assistance during the COVID-19 pandemic (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.

During FY 2021, CLIG has partnered with at least three vendors that are female-led, which provide services across a variety of sectors including document production, website design and company secretarial services. We chose these companies because they offer best-in-class services and products. We are also aware of the benefit of diversity of thought and leadership provided by female-led companies, and will continue to include the gender and ethnic characteristics of the leadership teams in the consideration process for any vendors we look to partner with.

5. RESPONSIBLE INVESTMENT

Each of the two operating subsidiaries of CLIG invest primarily in closed-end funds (CEFs). CLIM and KIM are committed to promoting responsible investment.

CLIM's investment process prioritises good governance but it also includes an assessment of the environmental and social policies of the CEFs' underlying securities. We define ESG in the context of stewardship policies by which we are committed to responsible allocation, management and oversight of capital to create long-term value. In the context of a CEF strategy, we have a two-pronged approach to responsible investment:

- We promote effective governance at the CEFs in which our clients are invested, both via their Boards and by engaging with the relevant regulators and policy makers.
- We promote greater transparency from the CEFs of the ESG characteristics of their underlying portfolios.

CLIM is a signatory to the UN-supported Principles for Responsible Investment (PRI). CLIM has partnered with Sustainalytics, a leading independent provider of ESG research. This partnership allows CLIM to receive data to monitor the underlying portfolio of the CEF, and allows CLIM to question the CEF investment manager on their portfolio and stance on ESG issues. We believe good disclosure requirements by the Board to the Investment Manager results in more effective management of ESG risks and therefore better outcomes for our clients.

CLIM's Proxy Voting Record and Annual Stewardship Report are available on our website at: **https://www.citlon.com/esg-clients.php**.

CEF GOVERNANCE

INDEPENDENT BOARD

CREDIBLE DISCOUNT CONTROL

UNDERLYING PORTFOLIO: OVERALL ESG RISK

EXPOSURE TO ESG ISSUES VS. BENCHMARK	MANAGEMENT OF ESG RISKS VS. RELEVANT BENCHMARK

SECTION 172 (1) STATEMENT

Section 172 (1) of the Companies Act 2006 requires Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in so doing, have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly to all shareholders of the Company.

As part of its decision-making process, the Board considers a broad range of stakeholders however it is acknowledged that, in balancing different perspectives, it may not always be possible to deliver everyone's desired outcome. Refer to pages 50 to 51 for our engagement with various stakeholders.

The Board fulfils its duties in collaboration with the senior management teams of its two operating subsidiaries as detailed on page 17, who manage the day-to-day operations of the business along with the Executive Directors, the Company's extensive corporate responsibility activities as set out on pages 46 to 49 and through the application of the corporate governance framework as set out on in the governance report on pages 52 to 53.

The relationship with the three key stakeholders of our business (shareholders, clients, employees) has been expressly acknowledged by the Board since the Group first became a public company in 2006 and has been a key feature of every Annual Report ever since (see page 20).

Signed on behalf of the Board of Directors of City of London Investment Group PLC.

Tom Griffith
Chief Executive Officer

9th September 2021

*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.*

GOVERNANCE

Contents

CHAIR'S INTRODUCTION

"ESG matters have never been in sharper focus for the Group."

Barry Aling Chair

On behalf of the Board I am pleased to introduce the Company's corporate governance report for this year. The year's focus has very much been on the merger of the Company with KIM in October 2020 and oversight of the outstanding work that the Executive Directors and Group's employees have undertaken in integrating the two Companies. This is in addition to tackling the restrictions brought about by the pandemic and overseeing our employees returning to work.

Board composition

Board changes and succession planning have been of key importance this year, in light of the changes brought about by the merger. During the year, the Board approved the appointment of George Karpus, founder of KIM, as Non-Independent Non-Executive Director and Daniel Lippincott, KIM's CIO, as Executive Director, both on 19th October 2020, following the merger with KIM. Both have made invaluable contributions to the Board's deliberations and oversight of the integration of the two Companies. The Board further approved the appointment of Rian Dartnell on 1st October 2020 and Tazim Essani on 1st February 2021 as Independent Non-Executive Directors. Although Rian and Tazim's appointments help to increase the level of independent representation on the Board, we acknowledge that we have a way to go in order to reach compliance with provision 11 of the UK Corporate Governance Code, which stipulates that the Board should have majority independent representation. The Board has begun formulating plans for compliance with provision 11 with a view to presenting these to shareholders by the 2022 Annual General Meeting (AGM).

The Board also approved changes to the roles of Directors during the year. Rian Dartnell and Tazim Essani were both appointed to the Audit & Risk, Nomination and Remuneration Committees upon their appointments, with Rian later stepping down from the Nomination Committee and Jane stepping down from the Audit & Risk Committee upon Tazim's appointment in February 2021. My fellow Board member, Susannah Nicklin, stepped down from the Board and her position as Senior Independent Director in September 2020, with our thanks for her valuable contributions. I am delighted to announce that Peter Roth has taken up Susannah's position as Senior Independent Director, a post he has excelled in since his inauguration in October 2020.

Furthermore, I am pleased to confirm the Board's appointment of Prism Cosec Ltd as its corporate Company Secretary. This is an appointment made in light of the increasing importance of corporate governance, not only in the minds of our stakeholders, but also in the deliverance of our strategy and purpose. Prism Cosec Ltd will be working to reinforce the Group's processes and support the Board in reaching best practice.

Diversity and inclusion

In addition to the level of independent representation on the Board, we are also cognisant of the requirements of the Hampton-Alexander Review and new consultation paper from the FCA on changes to the Listing Rules, both regarding the level of representation of those from diverse backgrounds on the Board and in senior management positions. We plan to set out our plans in this regard to shareholders, in addition to our plans regarding the independence of the Board, by the 2022 AGM.

It is our firm intention to comply fully with best practice in respect of independence, diversity and inclusion both on the Board and throughout the Group, although shareholders will appreciate that the achievement of quota targets needs to be planned over time to ensure appropriate continuity in serving our clients' best interests.

During the year, the Board implemented a Board diversity policy, details of which can be found in the Nomination Committee report on page 58.

Succession planning
The Nomination Committee has continued in its work of reinforcing and elaborating upon our succession plans, with focus placed on thoroughly planning out our response in relation to planned, unplanned and emergency departures. Further detail on succession planning can be found in the Nomination Committee report on page 56.

UK Corporate Governance Code
The Group complied with the spirit of all principles of the Code, and with all provisions with the exception of provision 11 regarding the composition and independence of the Board, as previously noted, and provision 36 regarding vesting and post-employment holding periods. Our explanation for non-compliance, and our plans to achieve compliance in the future, can be found on page 47.

Board performance
An internal assessment was carried out during the year by way of questionnaires issued to each Director. I am pleased to report an overall positive sentiment on the Board, with a few key actions for improvement identified. I can confirm that there were no surprises, and that a key action for us is around Board composition, as detailed above.

Full details on the Board evaluation process can be found on page 54.

Culture, purpose, values and strategy
The Board is responsible for setting the Group's purpose, values and strategy, which it reviewed in September 2021. The Board strives to set a positive tone from the top, leading by example and acting with integrity. This helps to create a culture which aligns to, and helps deliver upon, the strategy set by the Board and implemented by the Executive Directors.

The Board continually monitor and assess the culture of the Group by reviewing its additional key performance indicators related to employee longevity and retaining responsibility for the review and approval of key Group policies, including the Code of Ethics, and overseeing any breaches and non-compliance thereof. Further details on the Group's culture, purpose and values can be found on page 49 and detail on the Group's strategy can be found on pages 20 to 22.

ESG
ESG matters have never been in sharper focus for the Group. In 2020, a Corporate Governance Working Group (CGWG) was formed with a remit of reviewing our policies in relation to the UK Corporate Governance Code and to advise the Board of required changes. Among the CGWG's findings was a recommendation that we appoint Prism Cosec Ltd (PC) as our new Corporate Secretary which, as previously mentioned, took effect in May 2021.

In the course of the last five months, PC has been actively involved at every level of our governance processes, advising where necessary on changes to our governance procedures. Cognisant of this, the various reports included in the later pages have been significantly revamped this year and disclosures reinforced.

Looking ahead
Looking to the year ahead, we plan to continue the integration of KIM into the Group and to settle into a more business as usual operation. We look forward to continuing to reinforce and streamline our governance practices, cognisant of how fundamental they are to the good operation of the Company and deliverance of our strategy. We look forward to reporting further next year on our plans with regards to Board composition and any further developments that have occurred over the year.

Barry Aling
Chair of the Board

9th September 2021

BOARD OF DIRECTORS

CHAIR

Barry Aling
CHAIR OF THE BOARD

Date of appointment: 1st August 2013
Tenure: >8 years

Experience
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.

External listed directorships: none

Contributes to the Board: financial and emerging markets knowledge; asset management; consultancy; Board and Chair experience.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Peter Roth
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

A N R

Date of appointment: 1st June 2019
Tenure: >2 years

Experience
Peter 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. Peter is also a Director of the Stone Point Credit Corporation and is the Chair of the audit committee and member of the nomination and governance committee. Finally, he also serves on the Board of St Mary's Healthcare System for Children where he Chairs the finance committee and serves on the executive, nomination and development committees.

External listed directorships: none

Contributes to the Board: experienced investor; extensive knowledge of financial services industry; Audit Committee Chair experience; and wide ranging governance experience.

Jane Stabile
INDEPENDENT NON-EXECUTIVE DIRECTOR

N R

Date of appointment: 2nd July 2018
Tenure: >3 years

Experience
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.

External listed directorships: none

Contributes to the Board: extensive knowledge of financial services industry; leadership; strategic consulting; and strong entrepreneurial skills.

A Audit & Risk Committee
N Nomination Committee
R Remuneration Committee
Committee Chair

INDEPENDENT NON-EXECUTIVE DIRECTORS

Rian Dartnell

INDEPENDENT NON-EXECUTIVE DIRECTOR

R A

Date of appointment: *1st October 2020*
Aggregate tenure: *>6 years*

Experience

Rian Dartnell is the Managing Partner of PAXIS Key Holdings and works with endowment, foundation and family relationships to identify and monitor exceptional managers and investments. He also serves as a Trustee, Adviser, or Investment member for high quality family, endowment and institutional investors. Rian served as a Non-Executive Director on the Group Board from June 2011 to July 2016.

External listed directorships: *none*

Contributes to the Board: *founder; strong leadership; extensive experience of asset management industry; experienced investor; and financial and emerging markets knowledge.*

Tazim Essani

INDEPENDENT NON-EXECUTIVE DIRECTOR

A N R

Date of appointment: *1st February 2021*
Tenure: *<1 year*

Experience

Tazim Essani has over 30 years of experience in executive roles at Close Brothers Group plc, Santander UK plc and GE Capital. She has a significant track record in strategy and M&A in financial services in the UK and internationally covering integration, management transition and realisation of synergy benefits. She also serves as a Non-Executive Director on the Board of Quilter plc where she sits on the Audit and Remuneration Committees. In addition, Tazim has responsibility for employee engagement focusing particularly on diversity and inclusion.

External listed directorships:
Non-Executive Director Quilter plc

Contributes to the Board: *extensive knowledge of financial services industry; leadership; strategic consulting; and strong entrepreneurial skills.*

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

Barry Olliff

FOUNDER AND NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment: *17th March 1992*
Tenure: *>29 years*

Experience

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 1990s. Barry stepped down from an Executive Director to a Non-Executive Director at the end of December 2019.

External listed directorships: *none*

Contributes to the Board: *founder background; leadership; financial and emerging markets knowledge; asset management; and extensive Board experience.*

BOARD OF DIRECTORS
CONTINUED

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS CONTINUED

George Karpus
FOUNDER AND NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment: *19th October 2020*
Tenure: *<1 year*

Experience
George Karpus founded KIM in 1986 to improve how client value is defined and delivered in the investment industry. For 18 years prior to 1986, George held key positions at two brokerage firms, a regional bank and another investment advisory firm. George earned his BSc. (Physics) from St. Lawrence University and attended Rensselaer Polytechnic Institute for the MSc. Programme.

External listed directorships: *none*

Contributes to the Board: *founder; strong leadership; extensive experience of asset management industry; experienced investor; and financial and emerging markets knowledge.*

EXECUTIVE DIRECTORS

Tom Griffith
CHIEF EXECUTIVE OFFICER

Date of appointment: *1st June 2004*
Tenure: *>17 years*

Experience
Tom was the Deputy Chief Executive Officer and COO of the firm 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.

External listed directorships: *none*

Contributes to the Board: *strong entrepreneurial leadership; asset management experience; proven track record implementing successful business strategies; and Board experience.*

Mark Dwyer
CHIEF INVESTMENT OFFICER – CLIM

Date of appointment: *19th October 2015*
Tenure: *>5 years*

Experience
Mark was the EM CEF CIO of CLIM before becoming CLIM's CIO in March 2019. He re-joined City of London in May 2012 and has over 20 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.

External listed directorships: *none*

Contributes to the Board: *extensive knowledge of international financial markets; leadership; asset management; and Board experience.*

A Audit & Risk Committee
N Nomination Committee
R Remuneration Committee
Committee Chair

EXECUTIVE DIRECTORS

Carlos Yuste
HEAD OF BUSINESS DEVELOPMENT

Date of appointment: *1st January 2020*
Tenure: *>1 year*

Experience
Carlos is the Head of Business Development based in the Coatesville office. Carlos re-joined the Group in 2018, after pursuing other interests in the asset management field. Carlos originally joined the Group in 2000, and was responsible for Business Development until 2015. Between 1994 and 1998, he worked as a Project Officer at the International Development Research Centre, which specialises in emerging markets research. He holds an MBA (Finance) from the Schulich School of Business, York University, an MA in Political Economy from Carleton University, and a Bachelor of Social Sciences from the University of Ottawa.

External listed directorships: *none*

Contributes to the Board: *extensive knowledge of asset management industry; leadership; and Board experience.*

Daniel Lippincott
CHIEF INVESTMENT OFFICER – KIM

Date of appointment: *19th October 2020*
Tenure: *<1 year*

Experience
Daniel was the Director of Investment personnel at KIM before becoming the KIM's CIO in October 2020. He joined KIM in 2003 and is the leader of the investment team and a member of its Management Committee. Daniel is focussed on the implementation and continued success of KIM's investment process. Daniel is a member of the CFA Institute and the CFA Society of Rochester. He earned BBA and MBA degrees from St. Bonaventure University.

External listed directorships: *none*

Contributes to the Board: *extensive knowledge of international financial markets; and asset management.*

BOARD ACTIVITIES

BOARD AND COMMITTEE MEETING AND ATTENDANCE

	Board	Nomination Committee	Audit & Risk Committee	Remuneration Committee
Number of scheduled meetings	6	2	3	4
Current Directors				
Executive Directors				
Tom Griffith	6/6	–	–	–
Mark Dwyer	6/6	–	–	–
Daniel Lippincott [(1)]	3/3	–	–	–
Carlos Yuste	6/6	–	–	–
Non-Executive Directors				
Barry Aling [(2)]	6/6	1/1	–	–
Rian Dartnell [(3)]	4/4	1/1	2/2	2/2
Tazim Essani [(4)]	2/2	1/1	1/1	1/1
George Karpus [(5)]	3/3	–	–	–
Barry Olliff	6/6	–	–	–
Peter Roth	6/6	2/2	3/3	4/4
Jane Stabile [(6)]	6/6	2/2	2/2	4/4

Notes:
- Includes scheduled meeting dates that have taken place up until the financial year ended 30th June 2021.
- Ad hoc meetings have been excluded from the above table.
- Excludes Susannah Nicklin, who stepped down from the Board in September 2020 but attended two Board meetings, one Audit & Risk Committee meeting and one Remuneration Committee meeting during the financial year.

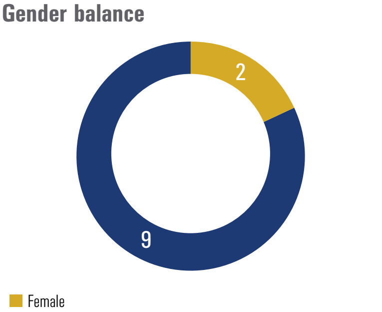
1) Daniel Lippincott became a Director on 19th October 2020.
2) Barry Aling was a member of Nomination Committee from 10th September 2020 to 31st January 2021.
3) Rian Dartnell became a Director on 1st October 2020. He was a member of the Nomination Committee from 1st October 2020 to 31st December 2020.
4) Tazim Essani became a Director on 1st February 2021.
5) George Karpus became a Director on 19th October 2020.
6) Jane Stabile was a member of the Audit & Risk Committee until 12th February 2021.

TOTAL BOARD AND COMMITTEE MEETINGS

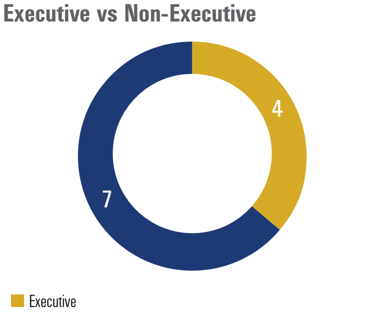
Board (scheduled)	6
Board (ad hoc)	3
Audit & Risk Committee	3
Remuneration Committee	4
Nomination Committee (scheduled)	2
Nomination Committee (ad hoc)	5

BOARD STATISTICS

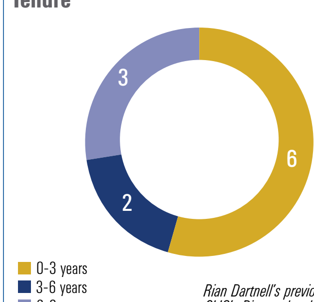
Gender balance



Executive vs Non-Executive



Tenure



Rian Dartnell's previous tenure as CLIG's Director has been included

CORPORATE GOVERNANCE ARRANGEMENTS

Compliance with the UK Corporate Governance Code
The Board assesses its approach to corporate governance through the application of the UK Corporate Governance Code, a copy of which can be found at www.frc.org.uk.

This report has been structured to assist shareholders and other stakeholders in interpreting the Company's application of the Code principles. Appropriate cross-references are made where relevant information is disclosed outside of the corporate governance report.

Throughout the financial year and to the date of this report, the Company has complied with all provisions of the Code with the exception of the following:

Provision 11 – Board independence
Currently, the Board consists of eleven Directors, five of whom are independent and six of whom are Non-Independent. Daniel Lippincott, KIM's CIO, being appointed as Executive Director and George Karpus, founder of KIM, was appointed as Non-Independent Non-Executive Director, both on 19th October 2020, following the Company's merger with KIM on 1st October 2020. Barry Olliff, founder of CLIG, has also remained on the Board following the merger, serving as Non-Independent Non-Executive Director. The Board has benefited greatly from this Board structure and the guidance of the founders through the integration of KIM into the Group, however ultimately the goal is to bring Board composition in line with the requirements of the Code. Plans and timelines for achieving compliance with this provision will be disclosed by the 2022 Annual General Meeting.

Please refer to pages 5 and 10 for the Chair of the Board's and CEO's commentaries in relation to Board independence.

Provision 36 – Vesting and post-vest holding periods
The Company implemented a two year post-employment holding period policy in September 2021, bringing it into compliance with this provision shortly after the end of the financial year. The Company also extended the vesting period for awards made to Executive Directors under the Employee Incentive Plan from three years to five years, applicable to awards granted from 2021 onwards. A full review of Director remuneration will take place ahead of the new Directors' remuneration policy being tabled for shareholder approval at the AGM in 2022.

The role of the Board
The Board is responsible for promoting the long-term success of the Company by formulating the Group's strategy and monitoring its delivery by the Executive Directors. Group strategy is guided by the purpose and values of the Company. Further details on purpose and values can be found on page 49 and on Group strategy can be found on pages 20 to 22.

Matters reserved to the Board
The Board operates a policy of matters formally reserved for its decision, which includes items that are material in delivering on the Group's strategy and purpose. These matters include:

- Setting the Company's values and standards and monitoring progress against them.
- Approval of strategic aims and objectives.
- Approval of budgets, capital expenditure and changes to the Group's capital structure.
- Ensuring a sound system of internal controls and risk management.
- Approval of financial results and trading updates.
- Approval of dividends and review of dividend policy.
- Approval of workforce policies.

The full schedule of matters reserved can be found on the Company's website: www.clig.com.

The operation of Board meetings
Board agendas are formulated by the Group Chief Financial Officer in conjunction with the Company Secretary, Chief Executive Officer and Chair of the Board. Attention is paid to allowing sufficient time for discussion and debate, and to ensuring that relevant items are included in order for the Board to successfully discharge its duties.

Conflicts of interest
On appointment, Directors are required to disclose conflicts of interest to the Company. A table detailing existing conflicts of interest is tabled to each Board meeting and Directors asked to flag updates where required. Conflicts of interest are also verified as part of year end reporting.

Director time commitment and external appointments
Director time commitments are assessed annually by the Nomination Committee. Directors are required to disclose any significant commitments upon appointment and all external appointments must be approved by the Board before they are accepted.

BOARD ACTIVITIES

CONTINUED

The following provides a snapshot of the Board's agenda during the year. The Board is cognisant of the views of its stakeholders in its key discussions and decision-making.

STRATEGY AND PERFORMANCE

- Held a strategy session in February 2021.
- Received routine reports from the Executive Directors and senior management on performance.
- Reviewed and approved Group strategy and KPIs, as set out on pages 20 to 27.
- Reviewed culture, purpose and values and alignment with culture.
- Approved the merger with KIM in October 2020.

FINANCIAL OVERSIGHT

Dividends

- Reviewed the Group's dividend policy.
- Considered and declared an interim dividend of 11p per share for payment on 19th March 2021.
- Considered and recommended a final dividend of 22p per share for payment on 29th October 2021.

External reporting

- Following recommendation from the Audit & Risk Committee, reviewed and approved full and half year results and the Annual Report and Accounts.
- Reviewed and approved quarterly trading statements.

Budget and financial resource

- Reviewed and approved the 2020/2021 Group budget.

COVID-19

- Kept under review plans for employees' return to work.

AUDIT, RISK AND INTERNAL CONTROL

- Reviewed and approved the Internal Capital Adequacy Assessment Process (ICAAP).
- Reviewed systems of risk management and internal control.
- Approved the going concern statement and assessment of viability.
- Carried out a robust assessment of the Company's principal and emerging risks.

LEGAL AND GOVERNANCE

Succession and appointments

- Approved the appointment of Prism Cosec Ltd as Corporate Secretary on 4th May 2021.
- With support from the Nomination Committee, the Board approved the appointments of:
  – Daniel Lippincott, KIM's CIO, as Executive Director;
  – George Karpus as Non-Independent Non-Executive Director;
  – Rian Dartnell as Independent Non-Executive Director; and
  – Tazim Essani as Independent Non-Executive Director.

Annual General Meeting

- Approved the Notice of AGM.
- Held a closed AGM with the opportunity for shareholders to ask questions in advance.

General Meeting

- Approved the notice of GM.
- Held a closed GM with the opportunity for shareholders to ask questions in advance.

Other

- Received reports from the Committee Chairs.
- Oversaw implementation of a new portal for Board papers.
- Approved new Director role changes, as detailed in the Nomination Committee report on pages 56.
- Approved the Group's first Modern Slavery Statement.
- Reviewed mechanisms for whistleblowing.

The Board is responsible for setting the Company's purpose, values and strategy, and for satisfying itself that these and its culture are aligned.

The Board reviewed its purpose, values and methods for assessing and monitoring culture in September 2021.

PURPOSE

The Group exists for the mutual benefit of our three primary stakeholders: Clients, Employees and Shareholders:

VALUES

- **The Clients pay the bills** – Clients expect superior investment performance, openness and accountability, and ethical treatment.
- **The Employees manage the business** – Employees expect fair treatment, open communication and to share in the success of the Group.
- **The Shareholders own the business** – Shareholders expect relevant risk and cost controls, quality earnings and within the bounds of prudential balance sheet management, regular dividend distributions.

CULTURE

The Board is responsible for setting the cultural tone of the Group by way of clear policies, procedures and codes designed to set out, and ensure, attainment of stakeholder expectations. The Board's goal is to empower employees through the setting of an appropriate cultural framework to deliver consistently and sustainably against the strategy it sets.

New employees receive an induction including coaching on the Company's Code of Ethics, which covers behavioural expectations around topics such as bribery and corruption, conflicts of interest, insider dealing, confidentiality, personal securities account dealing, inclusion, gifts and hospitality and delegated levels of authority.

The Board receives updates on employee retention, an important indicator that the Board has succeeded in embedding a positive culture. The Group boasts a very low level of employee turnover with high levels of employee satisfaction reported. Employee retention not only remains a key cornerstone of the Group's strategy, but is also one of the Group's additional key performance indicators. Further details on strategy can be found on pages 20 to 22 and additional key performance indicators can be found on pages 24 to 27.

The Board receives updates at every meeting from CLIM's Head of Compliance and KIM's Chief Compliance Officer, which contain details of policy breaches, including in relation to the Code of Ethics. The Board monitors such breaches closely with a view to taking action should the reported issues ever show a trend as opposed to an exception.

The Board also reviews and assesses the culture of the company by directly engaging with the employees at both operating subsidiaries. This is traditionally completed during on-site visits, supplemented by participation in the Group-wide annual strategy meeting. However, due to the restrictions caused by the pandemic, the Board has instead adapted to engage via multiple video-conferences with employees, as noted below:

- Employee engagement sessions organised for Independent NEDs separately with CLIM and KIM employees.
- Training sessions led by CLIM and KIM managers organised for CLIG NEDs.

Subject to the pandemic situation, on-site visits have been planned for the NEDs to visit both KIM and CLIM offices during the remainder of 2021.

The Board's schedule of matters reserved sets out the Board's responsibility for approving and keeping under review certain Group policies, as set out below:

- Code of ethics.
- Share dealing code.
- Bribery prevention policy.
- Whistleblowing policy.
- Health & Safety policy.
- Environment and sustainability policy.
- Communications policy.
- Corporate social responsibility policy.
- Charitable donations policy.

STAKEHOLDER ENGAGEMENT

The Board must act in a way that promotes the success of the Company for the benefit of shareholders, whilst having due regard to its wider stakeholders.

Details of the Board and wider Group's engagement with its stakeholders is set out below and the s172 statement can be found on page 38.

CLIENTS

Key considerations

- Ensure client needs are understood and met.
- Ensure transparency on key issues related to investment products, including investment performance, regulatory requirements and ESG considerations.
- Clear communication.

How the Board engaged

- Receive regular reports providing updates on client relationships, including details of client calls and engagement.

SHAREHOLDERS

Key considerations

- Ensure that shareholder interests and concerns are understood and addressed.
- Ensure transparency on key issues and provide clear communications.

How the Board engaged

- Annual General Meeting.
- Regular video conference meetings with shareholders.

How the business engaged

- Video conference presentations and roadshows around results announcements.

EMPLOYEES

Key considerations

- Ensure employees have an ongoing opportunity to share ideas and raise issues with senior management and the Board of Directors.
- Develop employee expertise and provide opportunities for advancement.
- Ensure that employees are supported in their lives outside their work in order to support their families' and communities' wellbeing (see page 34 for further detail on employee welfare).

How the Board engaged

- The restrictions imposed by the COVID-19 have hindered the Board's employee engagement during the year to some extent. Under normal circumstances, the following engagement takes place:
  - Board meetings are held at Company offices to provide employees with the opportunity for informal interaction with the Board.
  - An annual strategy day is held, with all employees and members of the Board invited to attend.
  - Regular site visits take place.
- In the face of the restrictions, engagement has taken place by way of video conference calls hosted for employees of the two operating subsidiaries by the Board on 22nd October 2020 and 16th June 2021, allowing the Board to provide an update to employees on the business and a free flowing question and answer session.
- The Board keep workforce policies under review to ensure they are consistent with the Group's values and support the long-term success of the Company.

How the business engaged

- Refer to page 34 for employee welfare policies.

Workforce engagement

Provision 5 of the UK Corporate Governance Code

The Board is required to agree a mechanism for ensuring ongoing engagement with the workforce and has designated Barry Aling, the Chair of the Board, as a Non-Executive Director in charge of employee engagement. This role entails championing strength of communication between the Board and employees, and ensuring appropriate opportunities are created to elicit employee feedback.

Whistleblowing

Provision 6 of the UK Corporate Governance Code

The Board receives details regarding reports received pursuant to the Company's whistleblowing mechanism at each scheduled meeting. The Board ensures that a proportionate and independent investigation and follow up action is taken in relation to all reports.

THE ENVIRONMENT

Key considerations

- The Group is dedicated to ensuring that the environment is protected.

How the Board engaged

- Receives reports regarding the Group's carbon footprint and sustainability data.

How the business engaged

- 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 as detailed on page 35.
- We utilise Sustainalytics to ensure that the investment process supports ESG initiatives. Refer to page 37 in relation to responsible investment.

OUR COMMUNITIES

Key considerations

- The Group is dedicated to ensuring that we are good citizens in the communities in which we have offices.

How the Board engaged

- The Board spearheaded an initiative to increase the level of applications being received from candidates from diverse backgrounds by consulting with recruiters and working with Universities to recruit directly.

How the business engaged

- Community outreach and support efforts are a key element of our ongoing business operations. Further details can be found on page 36.

REGULATORS

Key considerations

- Ensure that the Group is in compliance with all relevant regulatory requirements.
- Proactively monitor changes in regulatory requirements and ensure the Group makes changes as required.

How the Board engaged

- Receive and challenge regular reports from finance and compliance.

How the business engaged

- The compliance function at each operating subsidiary is integral to investment management and client functions and reports to the Board.

VENDORS

Key considerations

- Ensure that vendors adopt and execute data security practices consistent with internal Group policies.
- Ensure that arms-length relationships exist in order to protect client and shareholder interests.

How the Board engaged

- Receive and challenge regular reports from operations.

How the Board engaged

- All vendor relationships are managed by senior management with responsibilities clearly enumerated.
- ESG considerations are applied to all vendors.
- All expense authorisations are approved by an Executive Director, after due consideration of the rationale for choosing a particular vendor.

CONSIDERATION OF STAKEHOLDERS IN DECISION-MAKING

Key considerations

Approved the merger with KIM – As described in the CEO's statement, the merger with KIM completed on 1st October 2020. The merger created an enlarged Group with two operating subsidiaries and $11.4 billion (£8.3 billion) in Funds under Management (FuM) at 30th June 2021. KIM brings like-minded people, a similar culture and a robust investment management process. KIM is an investment management business with a complementary client base focussed on the US retail and high net worth marketplace versus CLIM's institutional focus. Adding KIM has nearly doubled CLIG's market capitalisation to c.£270 million as at 30th June 2021 from a pre-merger level of c.£112 million. Refer to page 8.

Approved the final dividend – As described in the CEO's statement, the Board is recommending a final dividend of 22p, which is an increase of 2p from the previous year's final dividend. Refer to page 10.

CORPORATE GOVERNANCE FRAMEWORK

There is a clear division of responsibilities between the Board, its committees and the Company's executive leadership. The various roles on the Board, including the Chair, Chief Executive Officer, Senior Independent Director, Executive Director and Non-Executive Director, are well-defined.

BOARD OF DIRECTORS

Chaired by Barry Aling

Roles and responsibilities

- Establishes the Company's purpose, values and strategy, satisfying itself that these and its culture are aligned.
- Ensures that the Group's financial structure, resources, talent and culture support its objectives and long-term success.
- Oversees the framework for risk management and internal control.
- Maintains engagement with stakeholders.

Board Secretary – Charlotte Mepham, Prism Cosec Ltd.

CHIEF EXECUTIVE OFFICER AND SENIOR MANAGEMENT

Roles and responsibilities

- Implements the agreed strategy and oversees day-to-day management of the Group.

AUDIT & RISK COMMITTEE

Chaired by Peter Roth

Comprised exclusively of three Independent Non-Executive Directors.

Roles and responsibilities

- Oversees financial reporting and reviews the integrity of the Group's financial reports.
- Oversees, reviews and reports on the Group risk management and internal control framework to the Board.
- Recommends to the Board the appointment of the external auditor and reviews their effectiveness and independence.
- Assesses the need for an internal audit function.

See page 59 for the Audit & Risk Committee report.

Committee secretary –
Charlotte Mepham, Prism Cosec Ltd.

NOMINATION COMMITTEE

Chaired by Jane Stabile

Comprised exclusively of three Independent Non-Executive Directors.

Roles and responsibilities

- Reviews the Board's size, structure, composition and diversity.
- Considers the skills, experience and knowledge required for a particular Board appointment.
- Conducts the search and selection process for new Directors.
- Considers candidates for Board positions and makes recommendations to the Board.
- Evaluates the Board's performance and succession planning.

See page 55 for the Nomination Committee report.

Committee secretary –
Charlotte Mepham, Prism Cosec Ltd.

REMUNERATION COMMITTEE

Chaired by Rian Dartnell

Comprised exclusively of four Independent Non-Executive Directors.

Roles and responsibilities

- Determines the Directors' remuneration policy and the oversees Group remuneration strategy.
- Approves the total annual compensation for Executive Directors and Remuneration Code employees, including salary, profit-share, share options and EIP awards.
- Reviews feedback from shareholders and oversees the Group's engagement on Directors' remuneration and reporting.

See page 63 for the Remuneration Committee report.

Committee secretary –
Charlotte Mepham, Prism Cosec Ltd.

BOARD ROLES

NON-EXECUTIVE

Chair

- Leads the Board, ensuring its effectiveness and setting its agenda.
- Supports the CEO in the execution of duties and providing constructive challenge.
- Promotes effective relationships between Executive and Non-Executive Board members, and facilitates a culture of open, robust and effective debate.
- Ensures that the Board maintains effective communications with shareholders and other stakeholders.
- Ensures interests of all stakeholders are taken into account in Board's decision-making.

Senior Independent Director

- Acts as sounding board for the Chair of the Board and, where required, acts as an intermediary for the other Directors and shareholders.
- Leads the annual performance evaluation of the Chair of the Board.
- Leads the search for the appointment of the Chair of the Board and successor to the role of Chair of the Nomination Committee, where required.
- Available as an additional point of contact for shareholders and other stakeholders if they feel matters raised have not been appropriately dealt with by the Chair of the Board or the CEO.

Non-Executive Directors

- Contribute and provide independent constructive challenge to the management in the development and implementation of Group strategy.
- Contribute to the identification of principal business risks and the determination of risk appetite and monitoring the control framework.
- Provide independent judgement to the Board.

EXECUTIVE

Chief Executive Officer

- Responsible for executive management of the Group.
- Formulates and recommends Group strategy for Board approval and responsible for execution of approved strategy.
- Runs the business within appropriate delegated authorities, risk management and internal controls.
- Communicates and embeds a shared purpose, sets business values and builds management talent.
- Develops an effective relationship with the Chair of the Board and leverages the knowledge of Non-Executive Board members.

Executive Directors

- Day-to-day authority for the management of the Group and its business.
- Manages the Group's business and its resources.
- Executes the approved Group strategy.
- Financial and operational control.

COMPANY SECRETARY

- Advise the Board on governance matters and provides advice and support to the Directors.
- Ensures the Board receive information in an appropriate and timely manner.

BOARD EVALUATION

EVALUATION PROCESS

A review of the effectiveness of the Board, its Committees and individual Directors is conducted on an annual basis. The 2021 effectiveness review was an internal process, and questionnaires were developed by the Company Secretary in conjunction with the Chair of Nomination Committee and Chair of the Board according to the principles of the UK Corporate Governance Code and supporting FRC Guidance on Board Effectiveness. As the Company is not a constituent of the FTSE 350 and as a result of the focus on the integration of KIM into the Group, the Board determined that it would not undertake an externally facilitated Board evaluation in 2021. The need to undertake an external evaluation will remain under review by the Board.

Questionnaire topics included:

- Strategy
- The Board and stakeholders
- Board discussion and processes
- Risk, internal control and the Audit & Risk Committee
- Succession and the work of the Nomination Committee
- The Remuneration Committee
- Chairship

OUTCOMES

The evaluation concluded that, overall, the Board and its Committees function effectively, with a strong culture of support and constructive challenge and debate. It was concluded that the Board is appropriately focussed on stakeholder relationships, having continued to meet with employees via video conference throughout the lockdowns and restrictions imposed by the global outbreak of COVID-19, and to receive regular reports on key client relationships both at, and in between, Board meetings.

It was further concluded that the Board maintained appropriate focus and oversight of the performance of the business and effectively monitored the execution of corporate strategy by management using an appropriate Group-wide key performance indicator.

The evaluation highlighted that the Board is satisfied with the level of routine reporting from management at Board meetings. However, it was concluded that the restrictions on in-person gatherings imposed by the pandemic had resulted in more elaborate discussions around key issues being hindered, and that focus would be placed on arranging a face-to-face Board meeting as soon as possible.

It was concluded that Board composition and the lack of compliance with the Code in this respect should be reviewed as a matter of priority. Further details on this can be found on pages 47 and 56.

Individual Directors

The overall results and comments arising from the process for Board evaluation, along with the individual skills, time commitment and independence of each Director, help the Board assess the performance of individual Directors. Following an assessment of these factors, the Board confirmed that each Director continues to contribute effectively to the Board both within and outside of Board meetings.

Chair of the Board

The Board concluded unanimously that the Chair of the Board, Barry Aling, performed strongly during the year, demonstrating a keen understanding of the business and listening well, offering appropriate challenges to the executive team where necessary. It was concluded that the Chair of the Board maintained a culture of open communication and fostered active participation in meetings, despite the challenges of running meetings remotely in light of the COVID-19 restrictions.

PROCESS

- Questionnaires developed by the Company Secretary in conjunction with the Chair of Nomination Committee and Chair of the Board.
- Topics set by reference to key outcomes from the 2020 Board evaluation and by taking into account key issues that have arisen over the preceding twelve months.

OUTCOMES

- Questionnaires issued by email to each member of the Board for completion in June 2021.
- Responses received by July 2021 and collated by the Company Secretary.
- Report generated summarising responses received and any corresponding comments.
- Report shared with the Committee Chairs, Chair of the Board and Chief Executive Officer for comment.

ACTION PLAN

- Results tabled to the Board in July 2021.
- Results discussed and an action plan formulated.
- Development of the action plan and the implementation and monitoring of key actions managed by the Chief Executive Officer.
- Progress against the action plan to be reported upon in the following year's Annual Report and Accounts.

NOMINATION COMMITTEE REPORT

"Board and Committee composition has remained at the forefront of the Committee's agenda."

Jane Stabile Chair of the Nomination Committee

COMMITTEE MEMBERSHIP

Jane Stabile (Chair)

Tazim Essani

Peter Roth

I am pleased to present the report of the Nomination Committee (the Committee) for the year ended 30th June 2021.

Over the past year, we have all no doubt grown weary of the word 'unprecedented', yet I find myself returning to it in an attempt to describe the prior 12-14 months. Amidst the backdrop of a global pandemic, we entered into a merger transaction – the first in our 29-year history. We were thus faced with the challenge of not only integrating a new group of people into our team, but in having to do so largely without the benefit of in-person meetings and site visits for all but the executive team.

Our approach has been to forge ahead whilst being mindful of the level of change for both Companies and for the people within them. As we brought the two Companies together, our Board has expanded, with Daniel Lippincott, KIM's CIO, being appointed as Executive Director and George Karpus, founder of KIM, being appointed as Non-Independent Non-Executive Director, both in October 2020.

Board and Committee composition has remained at the forefront of the Committee's agenda and ultimately we plan to bring the numbers and composition of the Board in line with the stipulations of the UK Corporate Governance Code. However, during the past year we found substantial benefit in having the guidance of both founders serving as Non-Independent Non-Executive Directors on the Board, and the insight of both the KIM and CLIM Chief Investment Officers.

Last year, Susannah Nicklin departed with our thanks for her valuable contributions. During the year, we recruited two new Independent Non-Executive Directors, Rian Dartnell and Tazim Essani. Tazim helps to bring us a step closer to the gender and diversity balance we hope to achieve as we continue to evaluate both the size and composition of the Board.

Jane Stabile
Chair of the Nomination Committee

9th September 2021

KEY ROLES AND RESPONSIBILITIES

- Monitor the structure, size and composition of the Board and its principal Committees.
- Oversee and make recommendations to the Board regarding succession plans for Executive and Non-Executive Director roles.
- Oversee senior management succession planning.
- Identify and nominate candidates to fill Board vacancies.
- Review time required from Non-Executive Directors.
- Approve Directors for re-appointment at the end of their terms and at Annual General Meetings.
- Review results of annual Board effectiveness reviews.
- Approve Directors' external appointments.

Full terms of reference of the Committee can be found on the Company's website: www.clig.com.

NOMINATION COMMITTEE REPORT
CONTINUED

Committee composition and attendance
The Committee held seven meetings (including five unscheduled meetings) during the year, all of which were fully attended by all Committee members. Full attendance details can be found on page 46. The Committee is composed of three Independent Non-Executive Directors. At the invitation of the Committee, meetings are regularly attended by the Chair of the Board, Executive Directors and other Non-Executive Directors. Other members of senior management are invited to attend and present at meetings from time to time. The Company Secretary is secretary to the Committee.

COMMITTEE ACTIVITIES

Terms of reference
The Committee reviewed its terms of reference in May 2021, approving minor administrative changes.

Succession planning
The Committee reviewed Board and senior management succession plans during the year, overseeing their development following the merger with KIM. The Committee also oversees succession planning for CLIM and KIM employees who regularly report to the Board.

Succession and contingency plans are formulated to cover the following scenarios:

- Emergencies.
- Unplanned departures.
- Planned departures.

Where possible, potential successors are identified and, in doing so, diversity of backgrounds of candidates in relation to gender and ethnicity are considered. Further details of the Board's approach to diversity and inclusion is set out on page 58.

Succession plans take into account the mix of skills and experience on the Board and the need to maintain an appropriate balance thereof. This helps to guide the process of succession planning and to ensure that the Committee remain cognisant of plugging any gaps identified in Director skills and experience that may hinder the Company in formulating and delivering on its strategy.

Board and Committee evaluation
During the year, the Committee reviewed the process for the annual Board effectiveness evaluation, which consists of a questionnaire issued to each Board member and questions related to the Board and each of its Committees. Given the priority for bringing the Company into compliance with the UK Corporate Governance Code with regards to Board size and composition, the results of the evaluation were prioritised for full discussion by the Board in July 2021. Full details of the Board evaluation process can be found on page 54.

Director induction and ongoing training
A formal induction process is in place for new Directors, which aims to:

- train and familiarise with the Group's business, departments and processes;
- educate on Director duties and responsibilities; and
- facilitate engagement with employees.

Comprehensive and tailored programmes are formulated for each Director, depending on their individual background and experience. New Directors meet with members of the Board, including the Chair, as well as Heads of Department from around the business. They are provided with documentation providing key information related to the Group, including financial performance, Board policies and procedures and governance matters. These documents remain available to Directors as a continuing point of reference.

Bespoke training on Director duties and general corporate governance developments was provided to Directors by Prism Cosec Ltd in June 2020, with further ad hoc training planned as necessary. Tailored one-to-one training was also provided to the newly appointed Directors, with Rian Dartnell, George Karpus and Daniel Lippincott receiving training in October 2020 and Tazim Essani receiving training in March 2021.

Board size and composition
The Committee keeps under review the size and composition of the Board and its Committees, making recommendations for change to the Board. During the year, the following role changes were approved:

- Rian Dartnell appointed to the Audit & Risk, Nomination and Remuneration Committees on 1st October 2020. He was a member of the Nomination Committee from 1st October 2020 to 31st December 2020.
- Peter Roth appointed as Senior Independent Director on 1st October 2020.
- Barry Aling appointed as Chair of the Nomination Committee on 19th October 2020 and subsequently replaced by Jane Stabile on 1st February 2021.
- Rian Dartnell appointed as Chair of the Remuneration Committee on 1st January 2021.
- Tazim Essani appointed to the Audit & Risk, Nomination and Remuneration Committees on 12th February 2021.

As the Chair of the Board discussed in his statement, we fully support the proposal by the Financial Conduct Authority (FCA) to address improvements in the balance of gender and diversity on boards for UK-listed companies. We must also address the size and composition of the Board to bring us into compliance with the Code, which we intend to do.

Post-merger, the composition of the Board served us well as the Executive Directors of both CLIM and KIM, our Board Chair and the former founders of each firm orchestrated the successful transition to an operating model that preserves the independence of each firm while capitalising on each firm's reciprocal strengths. Although the global pandemic presented its share of challenges, the combined experience of these seasoned professionals was instrumental in producing a successful outcome.

Going forward, the Nomination Committee is tasked with crafting proposals to bring the Board in compliance both in terms of independence and diversity, as well as appropriate succession planning to ensure a smooth transition. Our intention is to engage shareholders during the upcoming months to include their perspectives and maintain an alignment with their objectives and have proposals ready to submit for the October 2022 Annual General Meeting.

Appointment of Directors

The appointment of new Directors has been a key focus for the Committee during the year. The following individuals were appointed as Independent Non-Executive Directors:

- Rian Dartnell (appointed 1st October 2020)
- Tazim Essani (appointed 1st February 2021)

Following the acquisition of KIM on 1st October 2020, George Karpus, founder of KIM, was appointed as Non-Independent Non-Executive Director of the Company and Daniel Lippincott, CIO of KIM, was appointed as an Executive Director of the Company, both on 19th October 2020.

A formal, rigorous and transparent process is in place for the recruitment of new Directors, illustrated by the diagram opposite. The Company endeavours to use open advertising and/or a search consultant to recruit for Board positions. Rian Dartnell's appointment was exceptional as he had previously served on the Board and was referred directly. The Company appointed the search consultant NuRole in relation to Tazim Essani's appointment. Neither the Company nor Directors have any connection to NuRole.

Appointments are made on merit against objective criteria, with due regard to the importance of promoting diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. All Directors are subject to annual re-election by shareholders at the Company's Annual General Meeting. The Committee makes recommendations to the Board regarding director re-appointment by reference to the results of the annual Board evaluation and an assessment of Directors' time commitments and tenures.

APPOINTMENT PROCESS FOR NEW DIRECTORS

Draw up an initial list of role requirements

Appoint an executive search agency, where necessary

Draw up long- and short-lists of candidates with support from the search consultant to conduct screening interviews and take up references

Short-listed candidates interviewed by a number of Directors and discussion had as to which candidates to take forward

Feedback gained from candidates and second interviews undertaken

Review undertaken of actual or potential conflicts of interest and assessment of the proposed Directors' existing commitments

Recommendation made to the Board regarding appointment

NOMINATION COMMITTEE REPORT
CONTINUED

Diversity and inclusion
The Board is committed to ensuring that its membership reflects diversity in its broadest sense, with a diverse range of demographics, skills, experience, race, age, gender, educational and professional backgrounds and other relevant personal attributes being reflected on the Board. Accordingly, the Nomination Committee recommended the adoption of a Board diversity policy (Policy) to the Board in September 2021, which sets out a number of goals and objectives to help achieve this. A summary of the policy and its objectives can be found below.

The Committee is cognisant of the requirements of the Hampton-Alexander Review, Parker Review and other initiatives to increase diversity in the Boardroom and senior management. The Board took a step towards increasing its diversity with the appointment of Tazim Essani as Non-Executive Director in 1st February 2021 and is committed to consider diversity for future Board appointments.

Executive Directors and Senior management consists of 5 females and 11 males, meaning a 31% female representation. Details of the gender breakdown across the Group can be found in the Strategic Report on page 34.

BOARD DIVERSITY POLICY

Policy statement
The Board endorses the benefits of representation of a diversity of backgrounds, including in relation to age, gender, ethnicity and educational or professional background, and is committed to ensuring that the Board reflects a wide range of skills, knowledge, experience, backgrounds and perspectives. All appointments will be made on merit against objective criteria within the context of the required balance of skills and background the Board requires to function effectively.

Objectives
To agree measurable objectives for achieving gender, ethnic and cultural diversity on the Board.

To ensure that all searches conducted in relation to Board appointments, whether by the Company or external search firms, identify and present an appropriately diverse range of candidates for the relevant vacancy.

Monitoring and reporting
The Nomination Committee will present annually in its Committee report:

- a summary of this policy and progress made against its objectives;
- the process used in relation to Board appointments;
- its approach to succession planning and the development of a diverse pipeline of candidates;
- how diversity helps the Company meet its strategic objectives; and
- the gender balance of senior managers and their direct reports.

AUDIT & RISK COMMITTEE REPORT

"The Committee has remained focussed on ensuring the integrity of the Group's financial reporting and the robustness of the framework of risk management and internal control."

Peter Roth Chair of the Audit & Risk Committee

COMMITTEE MEMBERSHIP

Peter Roth (Chair)

Tazim Essani

Rian Dartnell

I am pleased to present the report of the Audit & Risk Committee (the Committee) for the year ended 30th June 2021, setting out how the Committee has discharged its duties.

The Group has endured an extraordinary year, with the merger of KIM in October 2020 and the impact of the global outbreak of COVID-19 continuing to be felt.

The Committee has remained focussed on ensuring the integrity of the Group's financial reporting and the robustness of the framework of risk management and internal control, particularly in light of the exceptional year we have had. This has entailed detailed reviews of the accounting policies and judgements applied by management and continued oversight of the embedment of new controls designed to adapt to the new remote working environment.

The Committee also corresponded with the Financial Reporting Council (FRC) in relation to a query regarding the presentation of acquisition-related costs in last year's Annual Report and Accounts, further details of which can be found on page 61 within this report.

Looking ahead, the Committee will continue to focus on the integration of KIM into the Group and on overseeing the development of processes and procedures required for the Group to adjust to its new size and complexity.

Peter Roth
Chair of the Audit & Risk Committee

9th September 2021

KEY ROLES AND RESPONSIBILITIES

Financial and narrative reporting

- Monitor the integrity of the financial statements of the Company and report to the Board on significant financial reporting issues and judgements.
- Review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable.

External audit

- Make recommendations to the Board regarding the re-appointment of the external auditor.
- Oversee the relationship with the external auditor.
- Assess the external auditor's independence and objectivity, including oversight of the policy on non-audit services.
- Assess the effectiveness of the external audit.

Risk management and internal control

- Review the adequacy and effectiveness of the Company's systems of risk management and internal control.
- Review and approve statements to be included in the annual report regarding risk management and internal control, principal and emerging risks and the viability statement.
- Consider the need for an internal audit function.

Compliance, speaking up and fraud

- Review the adequacy and security of the Company's whistleblowing arrangements, and procedures related to fraud, bribery and money laundering.

Full terms of reference of the Committee can be found on the Company's website: www.clig.com.

AUDIT & RISK COMMITTEE REPORT

CONTINUED

Committee composition and attendance

The Committee held three meetings during the year, all of which were fully attended by all Committee members. The Committee is composed of three Independent Non-Executive Directors. All members have extensive knowledge of the asset management industry and the analytical tools used in the appraisal of Company reports and accounts. The Chair of the Committee, Peter Roth, has recent and relevant experience serving on audit committees in the financial services industry. At the invitation of the Committee, meetings are regularly attended by the Chair of the Board, Executive Directors, other Non-Executive Directors, the Chief Financial Officer and the external auditor. Other members of senior management are invited to attend and present at meetings from time to time.

FINANCIAL AND NARRATIVE REPORTING

The Committee reviews the Group financial statements, including half and full year results and the Annual Report and Accounts, and makes recommendations to the Board for approval. The Committee is responsible for reviewing the significant financial judgements, key assumptions and estimates employed by management, an analysis of which can be found in the table below. As part of the review, the Committee satisfies itself that the policies set out in note 1 of the financial statements on pages 99 to 104 are appropriate.

Fair, balanced and understandable

The Committee reviewed and concluded that the Annual Report and Accounts for the year ended 30th June 2021 are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

Viability and going concern

The Committee concluded that a three-year assessment period continued to be appropriate and recommended the viability statement (found on page 33) to the Board for approval. The Committee also reviewed the going concern disclosure (see page 84) and recommended to the Board that the Group had adequate resources to continue in operational existence for the foreseeable future and that it was appropriate for the financial statements to be prepared on a going concern basis.

Significant financial judgements, key assumptions and estimates

The following table sets out the key accounting issues and judgements reviewed and monitored by the Committee during the year in accordance with UK Corporate Governance Code provision 26.

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES	COMMITTEE ACTIONS
Share-based payments The calculation of share-based payment charges under the Group's Employee Share Option Plan and the Employee Incentive Plan.	The Committee has reviewed management's assumptions in relation to the calculation of share options and EIP charge and is satisfied that such charges are reflected appropriately in the financial statements. Further details on share-based payments can be found in note 22 of the financial statements on page 118.
Acquisition-related costs The Group incurred acquisition-related costs associated with the merger with KIM of £4.0 million, with a portion capitalised as share issuance costs.	The Committee has reviewed management's judgements related to the allocation of acquisition-related costs between share issuance and other costs and consider them to be reasonable. Further details can be found in note 6 of the financial statements on page 107.
Goodwill and intangibles Judgement is involvement in relation to purchase price allocation and the resultant recognition of goodwill and separately identified intangible assets on completion of the merger. Goodwill for the Group's cash generating unit is tested for impairment at least annually through the application of a 'value in use' model. This requires estimates concerning future cash flows, growth rates and associated discount rates to be taken into account.	The services of an independent valuation consultant, BDO USA, LLP (BDO), were retained during the year to perform a purchase price allocation as at the date of the merger. The Committee considered BDO's report outlining the methodology for the allocation and challenged the assumptions including cash flow projections, discount rates and any other inputs. BDO further performed an assessment of impairment as at 30th April 2021. The Committee considered BDO's report outlining the methodology for the impairment assessment and challenged the assumptions underpinning goodwill valuation model including cash flow projections, discount rates and any other inputs. The committee also considered whether there were any significant changes or indicators of impairment in the period from assessment date to 30th June 2021. Further details can be found in notes 6 and 12 of the financial statements on pages 107 and 113.
Nature of interest in EM REIT fund The Company holds seed investment in the above fund. Judgement is required to be exercised in assessing whether the Company has significant influence over the fund.	The Committee reviewed management's assessment and agreed with the conclusion that the Company does not have significant influence over the EM REIT fund. Further details can be found in note 1.3 of the financial statements on page 99.

FRC review of the CLIG's Annual Report and Accounts for the year ended 30th June 2020

In March 2021, CLIG received a query from the FRC concerning the presentation of acquisition-related costs as investing activities in the Consolidated and Company cash flow statement, arising from the FRC's review of the June 2020 Annual Report and Accounts.

The Committee reviewed all correspondence between CLIG and the FRC.

The FRC agreed with the Group's undertaking to restate the comparative Consolidated and Company cash flow statement for the year ended 30th June 2021. The adjustments are explained in note 23 to the financial statements.

In their communication with the Group, the FRC also highlighted specific observations where the Group should consider improvements to its future reporting. The Committee reviewed and agreed with the proposed changes in respect of these observations.

The FRC's enquiries regarding the above matters are now complete. It must be noted that the FRC's review is limited to the published 2020 Annual Report and Accounts; it does not benefit from a detailed understanding of underlying transactions and provides no assurance that the Annual Report and Accounts are correct in all material respects.

COVID-19

The Committee continued to review the impact of the pandemic on the Group's risk profile and its consequent impact on the Company's long-term viability and ability to continue as a going concern.

We also reviewed our approach for the interim and year end results and considered the following additional key areas of focus for COVID-19 impact.

- Impairment of goodwill and client intangibles
- Adequate disclosures in the Interim and Annual Report

Distributions made other than in compliance with the Companies Act

Following the identification of the issue in respect of the payment of certain historic dividends, a thorough review of distributable reserves was performed by management which identified that certain distributions had been made otherwise than in accordance with the Act. This resulted in the circular to shareholders dated 2nd June 2021 and approval by the shareholders on 29th June 2021 of the resolutions to restore all parties to the position originally intended. Strict procedures have been put in place to ensure that this omission will not be repeated.

OTHER

Terms of reference

The Committee reviewed its terms of reference in May 2021, approving minor administrative changes.

Committee evaluation

An internal Board and Committee evaluation was conducted during the year, which consisted of a questionnaire issued to each Board member containing questions on a variety of topics. A section of the questionnaire focussed on the topic of the Audit & Risk Committee. Full details of the Board evaluation process can be found on page 54.

RISK MANAGEMENT AND INTERNAL CONTROL

Audit and Risk Committee

The Committee has responsibility for assisting the Board in maintaining an effective internal control environment. In order to achieve this objective, the Committee receives regular reports on compliance and internal control procedures from CLIM's Head of Compliance, KIM's Chief Compliance Officer and CLIG's management for managing the Company's risks. The Group maintains a Group risk register which is under constant review by Group's Executive Directors.

Following the completion of the merger, CLIM's Risk & Compliance Committee (RCC) and KIM's Compliance Committee have the responsibility of the day-to-day oversight of the risk management process at the respective operating subsidiaries. They are also tasked to identify any areas where there are perceived to be risk exposures for their respective subsidiaries.

For the year ending 30th June 2021, the Committee is satisfied that the risk register has been appropriately amended and maintained.

Internal audit function

In light of the merger with KIM in October 2020 and the consequent increase in size and complexity of the Group, the Committee has discussed the need for an internal audit function extensively throughout the year.

The Committee is satisfied that the objectives and activities of an internal audit function are sufficiently fulfilled by the Group's current systems of risk management and internal control, as described above, and that a stand-alone function was not required during the year. In addition, the Board has also appointed Prism Cosec Ltd as Company Secretary during the year in order to reinforce the Company's corporate governance arrangements.

The Committee will continue to keep the need for an internal audit function under review and to appropriately challenge and debate the topic.

AUDIT & RISK COMMITTEE REPORT

CONTINUED

EXTERNAL AUDIT

RSM UK Audit LLP (RSM) is the Company's appointed external auditor. RSM attended each scheduled meeting of the Committee during the year and reported on the status of the Group external audit process. The Committee met privately with the external auditor at each meeting to allow for any concerns to be flagged by the external auditor. No such concerns were flagged during the year.

Rotation and re-appointment

The Statutory EU Audit Directive (the Directive) sets out rules for public interest entities audit firm tenure and rotation and the provision of non-audit services.

The Company last undertook an audit tender in 2017, with the Company's current external auditor, RSM, being appointed for the year ended 30th June 2018. RSM has therefore served for four consecutive years. In order to comply with the Directive, the Company intends to undertake an audit tender at least every ten years and to make statutory disclosures where an audit tender has not been undertaken in relation to five consecutive financial years. There are no contractual obligations that restrict the Committee's choice of external auditor.

Malcolm Pirouet completed his fourth year as lead external audit partner for the year ended 30th June 2021. External auditors are required to rotate their lead partner every five years. Therefore, the Company will have a new lead audit partner appointed for the year ending 30th June 2023.

The Committee concluded that the effectiveness of the external audit process carried out by RSM was satisfactory and that their independence and objectivity were sufficiently maintained. Therefore, the Committee recommended to the Board the re-appointment of RSM at the Company's next Annual General Meeting.

The disclosures provided within this report constitute the Company's statement of compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Assessment of external audit effectiveness

During the year, the Committee reviewed the external auditor's effectiveness in carrying out the year end audit and concluded that the audit process had been carried out effectively.

Independence and objectivity

Both the Committee and the external auditor have policies and procedures designed to protect the independence and objectivity of the external auditor. During the year, the Committee was provided with a number of assurances by the external auditor regarding the checks and balances in place to safeguard independence and objectivity. Overall, the Committee has concluded that RSM remain independent.

Non-audit services policy

The Committee approved a non-audit services policy in September 2021, which sets out a list of non-audit services that the external auditor is either permitted or prohibited from providing to the Group. The policy places a requirement for all non-audit services that the external auditor is engaged for to be approved in advance as follows:

Value of non-audit service	Approver
Up to £25,000	Chair of the Audit & Risk Committee
£25,001 and above	Audit & Risk Committee

The policy further mandates that the total fees for non-audit services provided by the external auditor to the Group shall be limited to no more than 70% of the average of the statutory audit fee for the Company, of its controlled undertakings and of the consolidated financial statements paid to the external auditor in the last three consecutive financial years.

Pursuant to the new policy, the Committee undertake to seek annually from the external auditor information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff.

External auditor fee

During the year, the Committee reviewed and approved the external auditor's fee. Refer note 5 for fees paid to RSM in the year ended 30th June 2021 and 2020.

CHAIR OF THE REMUNERATION COMMITTEE'S ANNUAL STATEMENT

"We continue to believe our Executive Director remuneration policy is appropriate to the size and function of the Group and supports delivering on Group strategy."

Rian Dartnell Chair of the Remuneration Committee

COMMITTEE MEMBERSHIP

Rian Dartnell (Chair)
Tazim Essani
Peter Roth
Jane Stabile

On behalf of our Board and the Remuneration Committee, I am pleased to present our report for the year ended 30th June 2021.

This report aims to address the remuneration of our four Executive Directors. Given the team-based approach that pervades the group, many of the practices guiding compensation for the Executive Directors apply to the team as a whole.

We value the views of shareholders and welcome your feedback.

Having served as a Non-Executive Director from 2011 to 2016, I am happy to be back on the Board. I can say with enthusiasm that the Company I re-joined last October is even stronger and more cohesive than the impressive Group I knew during my earlier tenure.

KEY ROLES AND RESPONSIBILITIES

- Determine policy for Directors' remuneration and set remuneration for the Chair, Executive Directors and senior management.
- Establish remuneration schemes aligning Executive Directors with shareholder interests.
- Review workforce remuneration and related policies.

Full terms of reference of the Committee can be found on the Company's website: www.clig.com.

Merger with Karpus Investment Management

As our Chair Barry Aling mentions in his statement, our merger with KIM expands our opportunity set and diversifies our income streams. The combination also opens up exciting opportunities to grow and to learn from each other.

As you would expect, management and the Non-Executive Directors have been focussed on integrating the two businesses where this makes sense and ensuring best practices are shared and implemented across the Group. CLIG's integration team has been interacting constantly with KIM's senior management team since the merger, and it is heartening to note how similar the cultures of the two Companies are and how much employees are enjoying working together.

The global pandemic severely curtailed the ability to interact in person. CLIG's historical focus on frequent video meetings across offices and its strong information technology platform meant the team was well prepared. This ensured frequent and effective communications across the Group.

Code compliance

The Company implemented a two year post-employment holding period policy in September 2021, bringing it into compliance with provision 36 shortly after the end of the financial year. The Company also extended the vesting period for awards made to Executive Directors under the Employee Incentive Plan (EIP) from three years to five years, applicable to awards granted from 2021 onwards. A full review of Director remuneration will take place ahead of the new Directors' remuneration policy being tabled for shareholder approval at the AGM in 2022.

For a full statement regarding compliance with the UK Corporate Governance Code, please refer to page 47.

CHAIR OF THE REMUNERATION COMMITTEE'S ANNUAL STATEMENT

CONTINUED

Group key performance indicator

Our Group KPI applies to employees and Executive Directors alike and is a key cornerstone of our inclusive and team-based culture, helping to create a common goal for the Group. We continue to endorse this approach and its ability to help us fulfil the requirements of provision 40 of the Code. For further detail on our approach to compliance with provision 40, please see page 80.

For further detail regarding our justification for the use of a Group KPI and its link to remuneration, please see the flow chart on pages 67 to 68.

Remuneration outcomes

We continue to believe our Executive Director remuneration policy is appropriate to the size and function of the Group and supports us in delivering on Group strategy.

Please see page 65 for an overview of Executive Director remuneration outcomes and page 69 for single total figures of remuneration for all Directors.

2022 remuneration policy review

The Group's remuneration policy was last reviewed in 2019 and is formally reviewed every three years. Our next review will therefore take place during the year and be addressed in next year's Annual Report. As a committee, we will be allocating time throughout the period to ensure a comprehensive assessment as well as considering differences in compensation practices between CLIM and KIM. Our policy 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 Group and how it promotes sound and effective risk management.

Committee composition and attendance

The Committee held four meetings during the year, all of which were fully attended by all Committee members.

The Committee is composed of four Independent Non-Executive Directors: Jane Stabile, former Remuneration Committee Chair, Peter Roth, Tazim Essani and Rian Dartnell serving as Chair. Jane's involvement ensures continuity and her detailed approach is highly beneficial. Peter is also the appointed Senior Independent Director and is focussed on ensuring best practices across the Group. Tazim is a valuable new addition, having joined the Board in February 2021. Tazim knows asset managers and entrepreneurial firms well having worked with many in her rich advisory career, and brings a strong analytical approach to her role. The Committee is focussed on maintaining the entrepreneurial can-do team-based culture of the Group, while at the same time continuing to deepen processes. Our goal is to be a balanced Group, managing investment mandates with consistent long-term outperformance while empowering a culture of inclusion and an atmosphere in which team mates are striving to do their best work.

At the invitation of the Committee, meetings are regularly attended by the Chair of the Board, Executive Directors, other Non-Executive Directors and the Chief Financial Officer. Other members of senior management are invited to attend and present at meetings from time to time.

In conclusion, FY 2021 has been a busy and productive period marked by the pandemic and the exceptional work and positive results from the merger between CLIG and KIM. Our focus in the year ahead will be on CLIG's 2022 remuneration policy review, our normal remuneration activities and remuneration policy considerations for the whole Group.

We have laid out the objectives of the remuneration policy and how they align with the objectives of the Group and shareholders' interests. We respectfully request that shareholders view our policy in terms of its successful outcomes.

Rian Dartnell
Chair of the Remuneration Committee

9th September 2021

REMUNERATION OVERVIEW

REMUNERATION OVERVIEW

Executive Director remuneration components

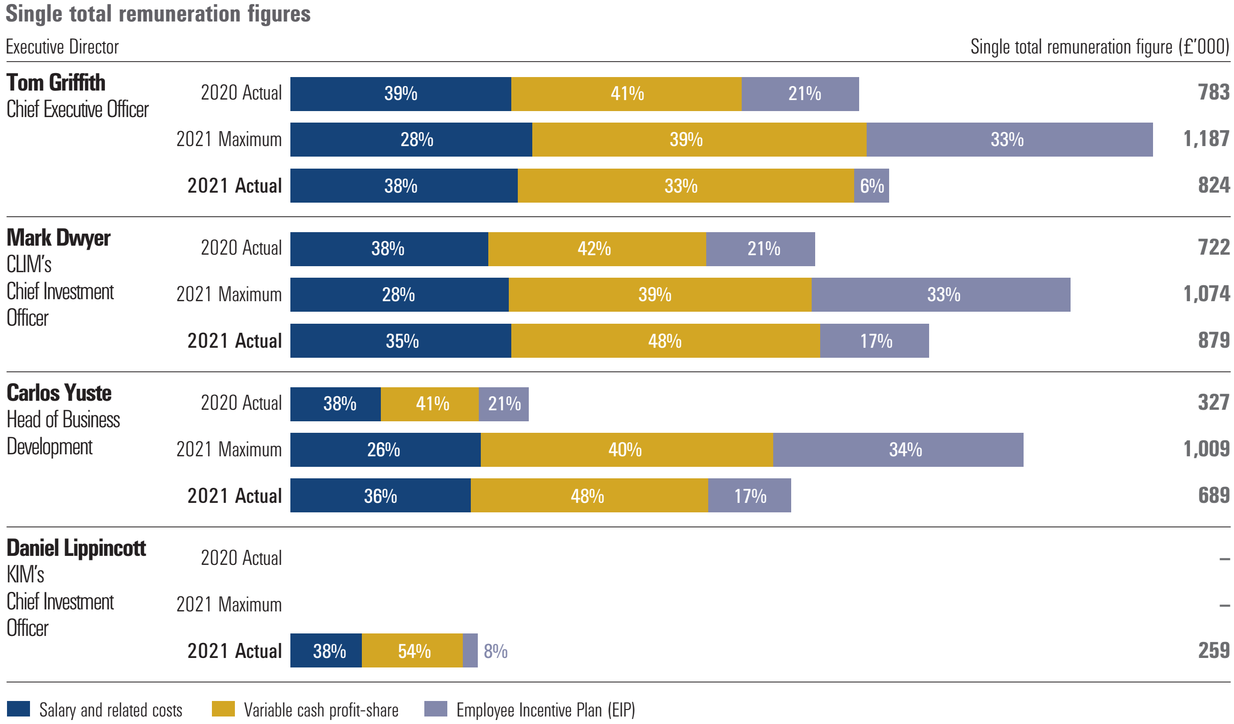
	Remuneration	Maximum
Fixed	Base salary	Aligns with pay adjustments for the wider employee population
	Fees	Market competitive
	Benefits	Market competitive
	Pension	
Variable	Profit sharing	2.5 times aggregate salary and fees
	Employee Incentive Plan	
	Share options	
Governance	Share ownership guidelines	200% of salary
	Clawback	Profit-share and EIP up to 18 months after termination date

Executive Director remuneration outcomes

Executive Directors' single total remuneration figures

The chart below compares the single total remuneration figures for FY 2021 for each Executive Director with the maximum total remuneration that could be awarded under the Directors' remuneration policy as per 30th June 2020 illustrative reward scenario and the single total remuneration figures for FY 2020.

Single total remuneration figures



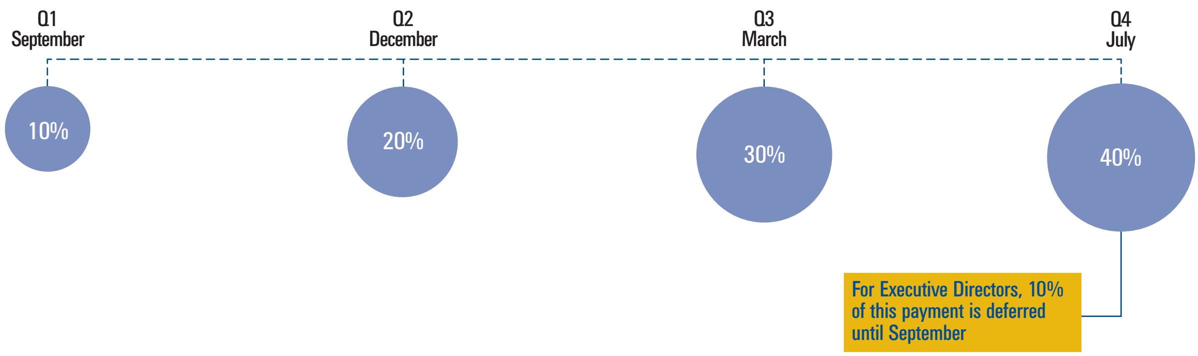
Assumptions:
1) Based on the FY 2020 and FY 2021 actual results.
2) 2021 maximum is the level of remuneration that could have been received in FY 2021 in accordance with Group's Director's remuneration policy as included in FY 2020's illustrative reward scenario. This reflects the minimum remuneration 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, which in turn is matched by the Company and the total is shown as EIP.
3) Carlos Yuste joined the Board on 1st January 2020 and therefore his pension and benefits are extrapolated for the full year based on the single total figure of remuneration table.
4) Daniel Lippincott joined the Board on 19th October 2020 and his remuneration is reflected for the period for which he was a Director. No comparative data exits for the FY 2020 actual remuneration received or FY 2020 maximum reward illustration scenario.
5) Under the Directors' remuneration policy, the EIP awards once awarded, will vest one-fifth per annum over a five-year period.

REMUNERATION OVERVIEW
CONTINUED

REMUNERATION OVERVIEW CONTINUED

Payment schedule for profit-share

Profit-share payment schedule* – financial year 1st July 2021 – 30th June 2022



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

Profit-share payments during the year are based on **forecasted annual profit determined using quarterly results**.
The fourth and largest payment is made once the final results are known.
Percentage splits are therefore **approximate**.

* Profit-share is currently paid annually in July to KIM employees.

CLIG KPI'S RELATIONSHIP TO OUR REMUNERATION POLICY

Our Group's interplay between the legitimate needs of our various constituents is exemplified by the relationship between our KPIs and our remuneration policy. In order to understand our corporate culture and the tone from the top, one must understand this key relationship.

CLIG share price total return: *best measurement of management*	We continue to believe that a **key measure of the management team is the long-term total return of the shares of the company they manage.** Our business model is very simple. We receive fees for managing client assets against a benchmark index.
Volatility of earnings	Although the business is simple, a large part of the assets are in a volatile asset class – EM. As a result of this volatility our FuM and, therefore, our future **fee income are difficult to predict with any level of accuracy.**
Management team KPIs (See page 24 for further details)	This volatility is also why MXEF was initially selected as the KPI relative measurements against the total return of CLIG over a market cycle which is defined as a rolling five-year period. These **KPIs present a challenge** for the management team to achieve, **without incentivising managers to take undue risks.** We have a conservative approach to risk. We do not charge performance fees and there is no debt on our balance sheet. As a specialist in CEFs, the universe of EM equity investment options is capacity constrained. To address this constraint we have added strategies by market segment that take advantage of our expertise in CEFs. This enables us to grow FuM for clients who support our investment philosophy, which drives increased fee revenues on a more predictable scale.
Main business driver: *outperformance*	As an active investment manager, our job is to beat the relevant benchmark through an investment cycle, which we define as five years. 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.
Delivered through: *team approach*	We have developed and nurtured a **team investment process** which does not rely on "star" fund managers, but rather upon experienced fund managers using a disciplined analytical process that can produce repeatable and sustainable first or second quartile performance versus our peers.
Business managed through: *team approach*	**We support teams and a team approach across the Group.** What this means is that we discourage the cult of the individual, believing that the **risks associated with a star culture are detrimental to both shareholders and clients.**
Results in: *FuM, fee income and profitability* **Leads to:** *dividends, retained earnings and share price*	If we do our job well, our **FuM and fee income can grow over time.** Proactively managing operating costs is the lever that allows us to maintain profitability levels. Profits lead to shareholder value **through dividends, retained earnings and the CLIG share price increases.**

REMUNERATION OVERVIEW
CONTINUED

CLIG KPI'S RELATIONSHIP TO OUR REMUNERATION POLICY CONTINUED

Profit-share pool aligns employees compensation with shareholder value

Employees are compensated through a combination of salary and profit-share. Salaries are a fixed cost and are managed to account for the volatility of earnings. **The profit-share pool is fixed at a maximum of up to 30% of operating profit of the Group and aligns employees' variable income component of total compensation with Group profitability and shareholder value.**

EIP further aligns employees with shareholder value

All employees are offered the opportunity to defer a portion of their annual profit-share allocation to purchase CLIG shares through the Employee Incentive Plan (EIP). The Company matches the employees' deferral 100%. Both the employee deferral and Company matching amounts vest over a three-year period in equal amounts each year. These amounts vest over a five-year period for Executive Directors from FY2021. **Employee share purchases and the vesting schedule further align them with long-term shareholder value.**

Volatility of earnings requires flexibility

Rather than making large numbers of employees redundant during market downturns and negatively impacting the business, the variable component of compensation can take the brunt of reduced revenues. Maintaining a high ratio of variable pay for all employees, but in particular for Directors, underscores the message that we are a team and rewards should be reduced when the Group underperforms. **Variable pay can be adjusted in line with profitability.**

Profit-share pool provides single focus

On balance, when markets are good, employees share in the increased profits of the Group. We accomplish this through profit sharing. Ingrained in our culture is the belief that all employees contribute to the success of the Group. The Portfolio Manager may have made the right decision on the investment, but he or she was able to do so because the data was correct, the systems were running properly, compliance applied the correct constraints, and so on.

Individual appraisals and evaluation

Allocation of profit-share is a management responsibility. We operate in an open office environment. **While annual appraisals are completed,** the open office environment provides for daily, honest feedback through interactions between colleagues. This allows for an **ongoing, real-time evaluation of a number of variable factors that influence performance.**

Individual KPIs are not appropriate for CLIG due to our team-based environment

Individual KPIs are not relevant to a business that employs a team-based approach to operating a business, which in many respects is similar to a partnership. In fact, individual KPIs would not only be divisive, but would introduce unnecessary risks. Our team approach to managing the business, with a profit-share pool based on operating profit, aligns the constituents of our business, as summarised below:

Clients expect superior investment performance. Long-term investment performance drives FuM and revenue growth over time. The clients pay the bills.

Employees expect to share in the success of the Group as they provide the investment performance that generate the earnings, while managing risks and controlling costs to ensure their sustainability. Employees manage the business. Employees and Directors' compensation are in alignment with our corporate culture, and these are taken into account when setting the policy for Directors' compensation.

Shareholders expect appropriate risk and cost controls to help deliver quality earnings and dividends. The shareholders own the business.

ANNUAL REPORT ON REMUNERATION

The information provided within the Annual report on remuneration is subject to audit and summarises how the Directors' remuneration policy was implemented during the financial period under review, as well as setting out total remuneration figures and rationales.

The Policy is summarised in the future Policy table on pages 82 to 83 and governs all future remuneration to be awarded to Directors. The Policy was approved by shareholders at the Annual General Meeting in 2019 and is due to be put to shareholder vote again in 2022.

This section of the Report is made up of four parts:
1) Single total figure of remuneration
2) Future implementation
3) Further remuneration disclosures
4) Governance disclosures

1) SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The table below shows the single total figure of remuneration for each Director in relation to the financial year ending 30th June 2021 (2021) relative to the previous financial year ended 30th June 2020 (2020).

	2020/2021	Director fees £	Salary/ advisory fee £	Pension £	(9) Taxable benefits £	Total fixed £	Profit-share £	Waived profit-share £	(1) EIP share awards £	(2) Dividend equivalent EIP vesting £	Total variable £	Total £
Current Directors												
Executive Directors												
Mark Dwyer	2021	35,000	206,500	25,813	3,541	270,854	500,000	(75,000)	150,000	33,272	608,272	879,126
	2020	23,333	200,835	25,104	3,261	252,533	375,000	(75,000)	150,000	19,392	469,392	721,925
Tom Griffith	2021	35,000	211,104	26,388	6,046	278,538	486,559	(24,040)	48,080	34,909	545,508	824,046
	2020	23,333	226,344	28,293	5,622	283,592	398,244	(80,800)	161,600	20,126	499,170	782,762
Daniel Lippincott (7)	2021	24,680	47,250	26,270	349	98,549	149,858	(10,696)	21,392	–	160,554	259,103
	2020	–	–	–	–	–	–	–	–	–	–	–
Carlos Yuste	2021	35,000	181,500	22,688	6,046	245,234	384,268	(56,937)	113,874	2,728	443,933	689,167
	2020	17,500	91,939	11,492	3,084	124,015	169,072	(34,271)	68,542	–	203,343	327,358
Non-Executive Directors												
Barry Aling (10)	2021	105,538	–	–	–	105,538	–	–	–	–	–	105,538
	2020	60,000	–	–	–	60,000	–	–	–	–	–	60,000
Rian Dartnell (4)	2021	33,750	–	–	–	33,750	–	–	–	–	–	33,750
	2020	–	–	–	–	–	–	–	–	–	–	–
Tazim Essani (8)	2021	16,667	–	–	–	16,667	–	–	–	–	–	16,667
	2020	–	–	–	–	–	–	–	–	–	–	–
George Karpus (6)	2021	27,179	54,400	–	–	81,579	–	–	–	–	–	81,579
	2020	–	–	–	–	–	–	–	–	–	–	–
Barry Olliff (3)	2021	37,500	73,872	9,234	3,377	123,983	–	–	–	–	–	123,983
	2020	17,500	39,597	4,950	2,256	64,303	–	–	–	–	–	64,303
Peter Roth	2021	51,250	–	–	–	51,250	–	–	–	–	–	51,250
	2020	45,000	–	–	2,114	47,114	–	–	–	–	–	47,114
Jane Stabile	2021	47,500	–	–	–	47,500	–	–	–	–	–	47,500
	2020	45,000	–	–	2,315	47,315	–	–	–	–	–	47,315
Past Directors												
Susannah Nicklin (5)	2021	40,449	–	–	–	40,449	–	–	–	–	–	40,449
	2020	50,000	–	–	–	50,000	–	–	–	–	–	50,000
Barry Olliff (3)	2021	–	–	–	–	–	–	–	–	–	–	–
	2020	5,833	65,582	8,198	1,441	81,054	402,639	–	–	–	402,639	483,693
Tracy Rodrigues	2021	–	–	–	–	–	–	–	–	–	–	–
	2020	14,584	111,389	13,924	1,112	141,009	183,500	–	–	10,545	194,045	335,054
Total	**2021**	**489,513**	**774,626**	**110,393**	**19,359**	**1,393,891**	**1,520,685**	**(166,673)**	**333,346**	**70,909**	**1,758,267**	**3,152,158**
	2020	302,083	735,686	91,961	21,205	1,150,935	1,528,455	(190,071)	380,142	50,063	1,768,589	2,919,524

Notes:
1) 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 that 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.
2) Unvested EIP awards accrue a cash equivalent of the dividends declared during the vesting period and are paid when the shares vest.
3) Barry Olliff retired as an Executive Director on 31st December 2019. He became a Non-Independent Non-Executive Director from 1st January 2020. In addition to his Non-Executive Director's fee, Barry Olliff receives a corporate advisory fee of $100,000 per annum.
4) Rian Dartnell was appointed as Director of the Company with effect from 1st October 2020.
5) Susannah Nicklin ceased to be a Director of the Company with effect from 10th September 2020.
6) George Karpus was appointed as Director of the Company with effect from 19th October 2020. George Karpus receives a corporate advisory fee of $100,000 per annum.
7) Daniel Lippincott was appointed as Director of the Company with effect from 19th October 2020 and his remuneration is reflected for the period for which he was a Director.
8) Tazim Essani was appointed as Director of the Company with effect from 1st February 2021.
9) 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.
10) One-off payment of £35,000 was made to Barry Aling in relation to his work on the KIM merger.

ANNUAL REPORT ON REMUNERATION

CONTINUED

1) SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED) CONTINUED

Commentary on single total figure table

The Remuneration Committee satisfied itself that the single total figures of remuneration for each Director are appropriate. A commentary on each element of Directors' fixed and variable remuneration is set out below. As previously noted, the Directors' remuneration policy will be reviewed and put to a binding shareholder vote at the Annual General Meeting in 2022. All new and existing rules and regulations, as well as current market practice, will be taken into account as part of this review and current elements of remuneration may change as a result.

Share price impact

Directors' remuneration is not linked to performance targets or measures relating to more than one financial year. Hence no illustrations are included in respect of the impact on the Directors' remuneration outcomes based on future share price movements and therefore no discretion has had to be exercised in presenting such information.

a) Fixed pay

Salary/advisory fee

Executive Director salaries are kept at the lower end of what may be described as market average to allow the Group to manage fixed remuneration costs. A high proportion of total remuneration is provided by way of variable pay, allowing for remuneration to be trimmed in a timely fashion if market events threaten to impact profitability.

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

1) Tom Griffith, CEO – received a salary increase of 2% on 1st January 2021 (8% on 1st January 2020). His salary is paid in US dollars and reported in sterling. The difference is due in part to a weaker US dollar to the pound this year as compared with last year.

2) Mark Dwyer, CLIM's CIO – received a salary increase of 3% on 1st January 2021 (12% on 1st January 2020).

3) Carlos Yuste, Head of Business Development – received a salary increase of 4% on 1st July 2020 and then a further 3% increase on 1st January 2021. Carlos joined the Board on 1st January 2020 and his 2020 salary is reflected for six months whilst he was a Director. His salary is paid in US dollars and reported in sterling. The difference is due in part to a weaker US dollar to the pound this year as compared with last year.

4) Daniel Lippincott, KIM's CIO – joined the Board on 19th October 2020 and his salary is reflected for the period for which he was a Director.

Further, as approved in the 2019 AGM, a separate Director's fee has been carved out from all the Executive Director's current salary to reflect their director/governance duties with effect from 1st November 2019, and has been shown separately.

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 employees 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. As part of his corporate advisory contract, Barry Olliff receives private medical insurance.

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. As part of his corporate advisory contract, Barry Olliff also receives pension contribution at 12.5%.

* As per the merger agreement, compensation and benefits for KIM employees remain consistent with pre-merger practices of KIM.

1) SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED) CONTINUED

b) Variable pay

Profit-share

The Company operates a profit-share plan for all employees, including the Executive Directors, that is linked to Group profitability. Profit-share constitutes a large part of employee and Executive Director remuneration – being variable, it can be adjusted in line with profitability and can therefore account for inherent volatility in earnings. We have allocated a maximum profit-share of up to 30% of the pre-profit-share, 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 Group, and consistent with our fundamental objective of an appropriate balance of the interests among all stakeholders, including clients, employees and shareholders.

Measuring performance

The Group is focussed on fostering a team approach across the Group, discouraging the 'cult of the individual' and the risks associated with a star culture. The Group therefore takes the view that individual KPIs are not appropriate for a business that employs a team-based approach, and that individual KPIs could prove divisive and introduce unnecessary risk. Refer to pages 67 to 68 for CLIG's KPIs relationship to our remuneration policy.

The profit-share pool aligns employees and Executive Director's variable income with Group profitability. Both employees and Executive Directors are therefore incentivised to drive Group profitability. Driving Group profit leads to shareholder value by way of dividends, retained earnings and Company share price increases.

Executive Director performance appraisals are conducted on an annual basis and, in-keeping with the Group's team-based approach, are partly deduced from daily, honest feedback solicited from the open office environment in which the Group operates. Discretion is applied appropriately, with bonus awards being adjusted upwards or downwards depending on the outcome of annual performance appraisals.

In the case of market downturn due to extenuating circumstances not linked to poor individual performance, the Committee can use its discretion to reduce profit-share awards for employees and Executive Directors. Being the more accountable parties, Executive Directors take a larger proportion of the reduction in comparison with employees.

See 'Executive Director remuneration outcomes' on page 65 for details of profit-share awards for FY2021 compared with the illustrative reward scenario disclosed in the FY 2020 Annual report on remuneration.

Deferred profit-share payments

Profit-share awards in the fourth quarter are calculated based upon an estimate of full year operating profits, thus there is the possibility that actual performance could be below expectation. Executive Directors therefore have up to 10% of their annual profit-share awards in the fourth quarter deferred to the following quarter in order that the awards can be adjusted based upon the final figures that are not available in the fourth quarter. The table below sets out the amounts deferred for payment once the financial statements have been audited and approved.

	2021		2020	
Deferred profit-share payments	£	% of annual award	£	% of annual award
Mark Dwyer	21,500	4%	14,530	4%
Tom Griffith	22,009	5%	14,386	4%
Daniel Lippincott[(1)]	16,044	11%	–	0%
Carlos Yuste[(2)]	16,268	4%	14,136	8%

Notes:
1) Daniel Lippincott became a Director on 19th October 2020 so only his profit-share paid from that date is included.
2) Carlos Yuste became a Director on 1st January 2020 so only his profit-share paid from that date is included.

These amounts are included in the profit-share reported in the table on page 69.

ANNUAL REPORT ON REMUNERATION
CONTINUED

1) SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED) CONTINUED

Employee Incentive Plan

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 2016. 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 profit-share 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 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 single total figure of remuneration table on page 69 will be granted in October 2021. The number of shares is calculated based on the average share price over the ten days preceding the grant date.

For Executive Directors, the RSAs vest one-third each year over a three-year period for the awards made up until October 2020 and one-fifth each year over a five-year period for awards to be made from October 2021 onwards. These awards 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 single total figure of remuneration table on page 69.

The RSAs are subject to forfeiture upon termination. For further details see the future policy table on pages 82 to 83.

EIP Restricted Share Awards

Director	Date of Award	Awards held 30th June 2020	Awarded during the year	Vested during the year	Awards held 30th June 2021	Market price on date of award £	Market price on date of vesting £	Vesting period From	Vesting period To
Mark Dwyer	26/10/2017	14,446	–	(14,446)	–	4.0731	4.07	26/10/17	26/10/20
	26/10/2018	47,612	–	(23,806)	23,806	3.8730	4.07	26/10/18	26/10/21
	26/10/2019	24,034	–	(8,012)	16,022	4.2580	4.07	26/10/19	26/10/22
	26/10/2020	–	37,240	–	37,240	4.0280	–	26/10/20	26/10/23
		86,092	37,240	(46,264)	77,068				
Tom Griffith	26/10/2017	14,518	–	(14,518)	–	4.0731	4.07	26/10/17	26/10/20
	26/10/2018	50,995	–	(25,497)	25,498	3.8730	4.07	26/10/18	26/10/21
	26/10/2019	27,786	–	(9,262)	18,524	4.2580	4.07	26/10/19	26/10/22
	26/10/2020	–	40,120	–	40,120	4.0280	–	26/10/20	26/10/23
		93,299	40,120	(49,277)	84,142				
Carlos Yuste	26/10/2019	27,274	–	(9,092)	18,182	4.2580	4.07	26/10/19	26/10/22
	26/10/2020	–	34,036	–	34,036	4.0280	–	26/10/20	26/10/23
		27,274	34,036	–	52,218				

1) SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED) CONTINUED

Summary of share option plan interests

The Company operates an Employee Share Option Plan which is open to employees of all Group companies and Executive Directors who 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. During the year, options over ordinary shares of the Company were granted to some Executive Directors and employees.

	Number of options										
	Held 2020	Exercised during the period	Lapsed during the period	Granted during the period	Held 2021	Exercise price £	Price at grant £	Face value at grant £	Vesting period	Vesting date	Expiry date
Tom Griffith	7,500	–	(7,500)	–	–	3.625	3.625	–	3 yrs	13/10/13	13/10/20
	5,000	(5,000)	–	–	–	4.03	4.03	–	3 yrs	05/04/14	05/04/21
	6,000	–	–	–	6,000	3.4875	3.4875	20,925	3 yrs	04/11/14	04/11/21
	17,000	–	–	–	17,000	2.55	2.5	42,500	3 yrs	30/01/17	30/01/24
	23,500	–	–	–	23,500	3.52	3.52	82,720	3 yrs	19/06/18	19/06/25
Total	59,000	(5,000)	(7,500)	–	46,500						
Mark Dwyer	50,000	–	–	–	50,000	3.6	3.6	180,000	3 yrs	03/05/15	03/05/22
	5,500	–	–	–	5,500	2.55	2.5	13,750	3 yrs	30/01/17	30/01/24
	17,500	–	–	–	17,500	3.52	3.52	61,600	3 yrs	19/06/18	19/06/25
Total	73,000	–	–	–	73,000						
Carlos Yuste	–	–	–	46,000	46,000	5.04	5.04	231,840	3 yrs	16/03/24	16/03/31
Total	–	–	–	46,000	46,000						
Daniel Lippincott	–	–	–	20,000	20,000	5.04	5.04	100,800	3 yrs	16/03/24	16/03/31
Total	–	–	–	20,000	20,000						

The closing market price of the Company's ordinary shares at 30th June 2021 was £5.36 (2020: £3.83) and the price moved during the year between a low of £3.76 to a high of £5.60 (2020: low £2.75 high £4.74).

ANNUAL REPORT ON REMUNERATION

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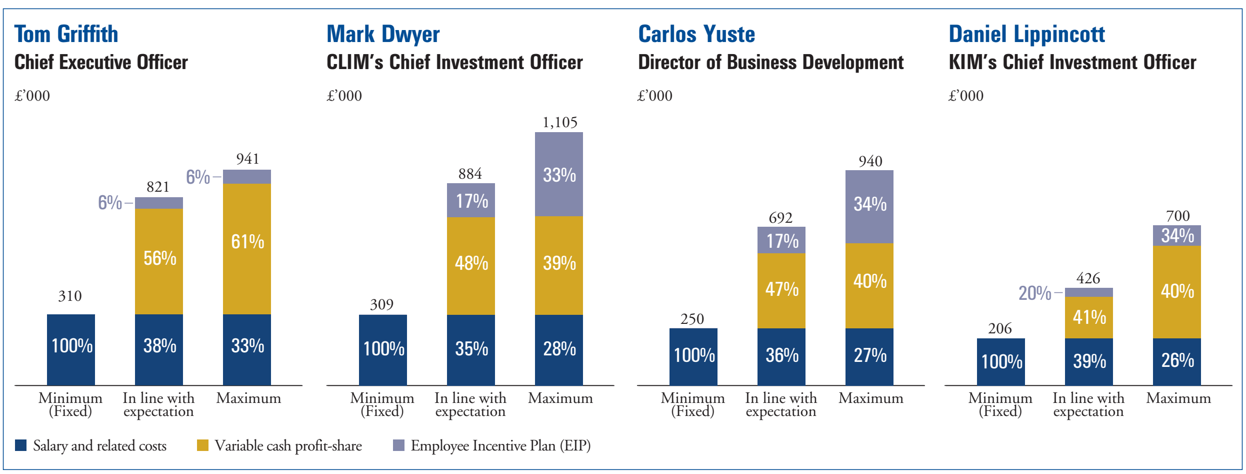
2) FUTURE IMPLEMENTATION

The Committee intends to table a new Directors' remuneration policy at the AGM in 2022. The Committee is undertaking work this year to review the components of Director remuneration and will table a full updated policy in the remuneration report for the year ended 30th June 2022.

It is likely that the core aspects of Director remuneration will remain the same, with Executive Directors receiving fixed elements of salary, director fee, taxable benefits and pension, and the variable element of the profit-share plan.

Reward scenarios

The chart below illustrates the level of remuneration that would be received by each Director in accordance with the Group Directors' remuneration policy in the year ending 30th June 2022, provided all components of remuneration remain the same as they currently are. As referenced above, a new policy will be presented in next year's remuneration report which will set out any changes to the policy.



Assumptions:

1) Based on the 2021 results.
2) Minimum – reflects salary as of 1st July 2021, and current pension and taxable benefits, as disclosed in the single figure remuneration table. It includes 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 profit-share opportunity as detailed in the future policy table on page 82. The maximum variable cash profit-share has been adjusted by the maximum amount of the profit-share that can be waived, which in turn is matched by the Company and the total is shown as EIP.
5) Under the current Policy, the EIP awards once awarded, will vest one-fifth per annum over a five-year period.

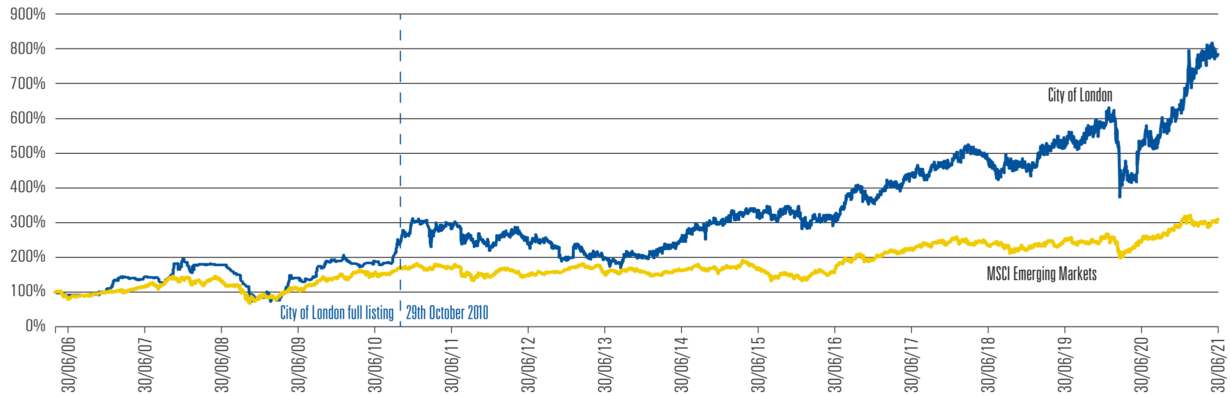
The above reward scenario charts are not a projection and are being provided for guidance only. These charts are based on future remuneration scenarios for the year ending June 2022.

3) FURTHER REMUNERATION DISCLOSURES

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 which 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 from the date that the Company's shares were traded publicly. 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 2021 (GBP)



Source: *Bloomberg.*

Chief Executive Officer single figure of remuneration

The following table shows the change in total remuneration for the Chief Executive Officers, Barry Olliff (CEO 1) and Tom Griffith (CEO 2) appointed since the Company's listing on the London Stock Exchange on 29th October 2010. This table is included for the purpose of comparison against total shareholder return since the Company's listing, as detailed above.

	Year to 31st May 2012 £	Year to 31st May 2013 £	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 £	Year to 30th June 2020 £	Year to 30th June 2021 £
Single total figure										
CEO 1	1,012,801	580,922[(1)]	693,550	805,430	763,686	1,038,679	1,108,646	627,887	–	–
CEO 2	–	–	–	–	–	–	–	212,036	782,762	824,046
Actual profit-share										
CEO 1	754,575	319,230	419,038	544,952	484,243	716,133	804,449	417,322	–	–
CEO 2	–	–	–	–	–	–	–	124,166	398,244	486,559
Annual profit-share (as % of current cap) [(2)]										
CEO 1	92%	51%	84%	85%	84%	84%	84%	74%	–	–
CEO 2	–	–	–	–	–	–	–	88%	64%	79%
EIP – % 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%	100%	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 Chief Investment Officer on the same salary. Therefore, his remuneration for the full year has been included in this table to provide a useful comparative. Barry Olliff subsequently stepped down as CEO on 1st March 2019, being replaced by Tom Griffith. Barry Olliff remained on the Board, serving as Non-Independent Non-Executive Director. His total remuneration incurred in accordance with this role is not detailed here but can instead be found in the total single figure of remuneration table on page 69.
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-profit-share and EIP. For comparison purposes prior years' annual bonuses are shown as a percentage of 5% of operating profits pre-profit-share and EIP. The cap on Tom Griffith's bonus was 2.5% of operating profit pre-bonus and EIP until 30th June 2019, when it was changed to 250% of salary and base fee for the year ended 30th June 2020 onwards.
3) As detailed in the single total figure commentary on page 69, 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 EIP awards vest annually over a three-year vesting period for the awards made until October 2020. Therefore, upon vesting, one-third of the awards would be deemed to be the maximum opportunity.

ANNUAL REPORT ON REMUNERATION

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3) FURTHER REMUNERATION DISCLOSURES CONTINUED

Annual percentage change in the remuneration of Directors and employees

The table below shows the change in Director and employee salary/fees, benefits and profit-share over the preceding two years.

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.

	Salary/fees (1) %		Benefits (1) %		Profit-share (1) %	
	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
Employees (2)	5%	4%	25% (3)	6%	7%	22%
Executive Directors						
Mark Dwyer (4)	8%	7%	7%	-7%	33%	10%
Tom Griffith (5)	6%	7%	3%	-1%	33%	4%
Daniel Lippincott (6)	n/a	n/a	n/a	n/a	n/a	n/a
Carlos Yuste (7)	4%	n/a	5%	n/a	23%	n/a
Non-Executive Directors						
Barry Aling (8)	18%	13%	n/a	n/a	n/a	n/a
Rian Dartnell (6)	n/a	n/a	n/a	n/a	n/a	n/a
Tazim Essani (6)	n/a	n/a	n/a	n/a	n/a	n/a
George Karpus (6)	n/a	n/a	n/a	n/a	n/a	n/a
Barry Olliff (9)	-7%	-54%	-19%	-56%	-100%	-36%
Peter Roth (10)	13%	25%	-100%	100%	n/a	n/a
Jane Stabile (11)	4%	13%	-100%	-50%	n/a	n/a

Notes:
1) June 2021 month-end exchange rate has been applied to USD payments for all three accounting periods 2019 to 2021 to eliminate the impact of FX movements.
2) Based on average cost per employee.
3) Increase is mainly on account of higher 401k contribution for KIM employees.
4) This represents % increase over the previous financial year as Mark Dwyer received a mid-year salary increase of 12% on 1st January 2020 in FY 2020. For FY 2021, Mark received a mid-year salary increase of 3% on 1st January 2021.
5) This represents % increase over the previous financial year as Tom Griffith received a mid-year salary increase of 8% on 1st January 2020 in FY 2020. For FY 2021, Tom received a mid-year salary increase of 2% on 1st January 2021.
6) Joined new to the Board in FY 2021 thus no comparatives are available.
7) Carlos Yuste joined the Board in January 2020. This represents % increase over the previous financial year as a Director. Carlos received a salary increase of 4% on 1st July 2020 and then a further increase of 3% on 1st January 2021.
8) Base fee for Non-Executive Directors was increased by 14% and supplemental fee for services as the Chair of the Board was increased by 40% with effect from 1st January 2021. Barry Aling's one-off payment of £35,000 in FY 2021 for his work on the KIM merger has been excluded for this analysis.
9) Barry Olliff retired as an Executive Director on 31st December 2019 and became a Non-Executive Director from 1st January 2020. Non-Executive Directors' fee was increased by 14% with effect from 1st January 2021.
10) Peter Roth joined the Board on 1st June 2019. His 2020 comparison is based on average cost per month in FY 2019. Peter Roth's 2021 comparison includes him receiving an increase in Directors' fee of 14% from 1st January 2021. He was also appointed the Senior Independent Director on 1st October 2020.
11) Jane Stabile's base fee for Non-Executive Directors was increased by 14% with effect from 1st January 2021.

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.

	2021 £	2020 £	Change £
Total employee spend	20,045,406	15,677,364	28%
Average headcount (number)	99	72	38%
Profit after tax (1)	16,971,233	7,559,580	124%
Dividends relating to the period (2)	14,235,653	7,468,421	91%

Notes:
1) 2021 profit after tax attributable to equity shareholders of the parent is after charging exceptional costs of £1,743,424 (2020: £1,248,195).
2) The current period includes an estimate of the final dividend based on the number of qualifying shares as at 30th June 2021. The Board is recommending a final dividend of 22p per share (2020: 20p), which would make the total for the year 33p per share (2020: 30p).
This is subject to shareholder approval at the AGM in October 2021. The prior period estimate has been restated to include actual final dividend paid.
As part of the lockup deed entered into as part of the merger, 25% of the dividend for the new shares issued will be waived for dividends relating to FY2021.

A breakdown of the employee spend can be found in note 3 to the financial statements on page 105.

4) GOVERNANCE DISCLOSURES

Non-Executive Director fees

	2021 £	2020 £
Base fee for services as a Non-Executive Director	40,000	35,000
Supplemental fee for services as Chair of the Board	35,000	25,000
Supplemental fee for services as Chair of a Committee	10,000	10,000
Supplemental fee for services as Senior Independent Director	5,000	5,000

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.

Beneficial interest of the Directors and their families in the shares of the Company at the period end were as follows:

	Ordinary shares of 1p each		Restricted share awards of 1p each	
	2021	2020	2021	2020
Executive Directors				
Mark Dwyer	133,924	87,660	77,068	86,092
Tom Griffith	413,735	359,458	84,142	93,299
Daniel Lippincott (1)	249,347	–	–	–
Carlos Yuste	76,592	67,500	52,218	27,274
Non-Executive Directors				
Barry Aling	134,300	94,300	–	–
Rian Dartnell (2)	50,000	–	–	–
Tazim Essani (3)	5,350	–	–	–
George Karpus (4)	18,371,205	–	–	–
Barry Olliff	1,228,018	1,873,536	–	–
Peter Roth	5,000	–	–	–
Jane Stabile	–	–	–	–
Past Directors				
Susannah Nicklin (Non-Executive)	–	4,309	–	–

Notes:
1) Daniel Lippincott was appointed as Director of the Company with effect from 19th October 2020.
2) Rian Dartnell was appointed as Director of the Company with effect from 1st October 2020.
3) Tazim Essani was appointed as Director of the Company with effect from 1st February 2021.
4) George Karpus was appointed as Director of the Company with effect from 19th October 2020.

ANNUAL REPORT ON REMUNERATION

CONTINUED

4) GOVERNANCE DISCLOSURES CONTINUED

Dividends received by Directors and their families from holdings of shares in the Company during the financial year were as follows:

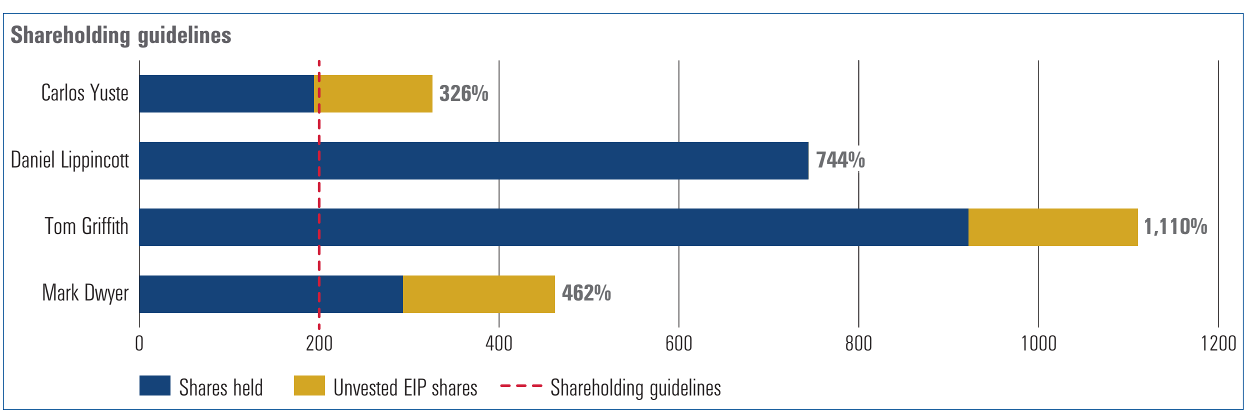
	2021 £	2020 £
Executive Directors		
Mark Dwyer	32,264	17,659
Tom Griffith	116,852	91,196
Daniel Lippincott	20,571	–
Carlos Yuste	21,925	6,750
Non-Executive Directors		
Barry Aling	33,633	26,404
Rian Dartnell	5,500	–
Tazim Essani	589	–
George Karpus	1,515,624	–
Barry Olliff	514,519	550,113
Peter Roth	–	–
Past Directors		
Susannah Nicklin	–	1,207
Tracy Rodrigues	–	36,796

Note: Dividends paid have been included only from the date of appointment until the date of resignation from the Board.

Executive Director shareholding guidelines

All Executive Directors are required to hold shares equivalent in value to 200% of salary within a five-year period from their date of appointment. The below illustration shows Executive Director's share ownership against this target as at 30th June 2021.

To reduce the impact of share price volatility on this calculation, the closing share price for the financial year ended 30th June 2021 has been used, of £5.36.



Remuneration Committee

None of the Executive Directors are in attendance during discussions regarding their own remuneration. No remuneration consultant has provided any advice to the Company during the year.

Details of attendance by members of the Remuneration Committee are set out on page 46.

4) GOVERNANCE DISCLOSURES CONTINUED

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

The resolution seeking approval of the Annual report on remuneration at the AGM in October 2020 received the following votes.

	Remuneration report	
	Number of votes	Percentage of votes cast
For*	16,890,208	92.4%
Against	1,387,247	7.6%
Total votes cast**	18,277,455	
Votes withheld	20,560	

* Includes discretionary votes.
** Excludes withheld votes.

Consideration of employment conditions elsewhere in the Group

The Group 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 available to all employees 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 twelve 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 twelve months. The rationale for any such discretion would be explained to shareholders.

Terms of reference

The Committee reviewed its terms of reference in May 2021, approving minor administrative changes.

ANNUAL REPORT ON REMUNERATION

CONTINUED

4) GOVERNANCE DISCLOSURES CONTINUED

Compliance with Provision 40 of the UK Corporate Governance Code

CLARITY	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Executive Director remuneration is aligned to employee remuneration, meaning that both parties have common goals and incentives. The Group remuneration policy is available to all employees and any feedback or concerns are welcomed. The simplicity of Directors' remuneration assists in effective engagement with shareholders.
SIMPLICITY	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Policy for Executive Director remuneration is extremely simple and straightforward, with fixed remuneration consisting of salary, director fees, taxable benefits and pensions, and variable pay consisting of the profit-share plan, Employee Incentive Plan and share options. There are no complex individual KPIs – Executive Directors simply share in the operating profit that their performance helps to generate over the course of the financial year.
RISK	
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	There are no individual KPIs that introduce the behavioural risks that can arise from target-based forms of incentive. The appropriate risk and cost controls necessary to deliver high quality earnings and dividends, and thus increase the profit-share pool, robustly aligns the interests of Executive Directors, employees and shareholders.
PREDICTABILITY	
The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	Due to its simplicity, both fixed and variable Executive Director remuneration is very predictable. See page 65 for 2021 remuneration outcomes for Executive Directors, plus a forecast for 2022, on page 74.
PROPORTIONALITY	
The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The Group's simple approach to remunerating its Directors means that it is impossible for poor performance to be rewarded. If the Company's operating profit is down, then so is the pool from which Director profit-share are paid and Employee Incentive Plan shares are matched. Executive Directors have a greater impact on the Group than other employees, therefore hold themselves more accountable in instances of market downturns, and therefore have their profit-share participation adjusted accordingly.
ALIGNMENT TO CULTURE	
Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	The Group has an inclusive and team-based culture. Executive Directors and employees have a common KPI tied to their variable remuneration, being operating profit, a metric that shareholders value due to its potential to provide increased distributions and Company share price. This alignment of interests is consistent with the Group's purpose, to exist for the mutual benefit of its three primary stakeholders: client, employees and shareholders, as well as its values. Further detail on Group culture, purpose and values can be found on page 49.

4) GOVERNANCE DISCLOSURES CONTINUED

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

Details of Executive Directors' service contracts and Non-Executive Directors' letters of appointment are listed in the table below. The Committee has the discretion to make a payment in lieu of notice.

Name	Date of contract/ letter of appointment	Notice period from Company	Notice period from Director	Provision of compensation for loss of office
Executive Directors				
Mark Dwyer	19th October 2015	One year	One year	One year's salary
Tom Griffith	31st March 2020	One year	One year	One year's salary
Daniel Lippincott	13th October 2020	Three months	Three months	Three months' salary
Carlos Yuste	30th March 2020	One year	One year	One year's salary
Non-Executive Directors				
Barry Aling	1st August 2013	Six months	Six months	Six months' fees
Rian Dartnell	30th September 2020	Six months	Six months	Six months' fees
Tazim Essani	20th January 2021	N/A	N/A	N/A
George Karpus	13th October 2020	Thirty days	Thirty days	Thirty days' fees
Barry Olliff	30th March 2020	Thirty days	Thirty days	Thirty days' fees
Peter Roth	1st June 2019	Six months	Six months	Six months' fees
Jane Stabile	1st July 2018	Six months	Six months	Six months' fees

All Directors' service contracts and letters of appointment are kept at the Company's registered office and will be available for inspection in electronic form on request.

SUMMARY DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policy (the Policy) was last put to a binding shareholder vote at the AGM in October 2019 and passed with a vote of 84% in favour. The policy will remain in force until the 2022 AGM unless material changes are proposed in the intervening period. For convenience, the following is an overview of the approved Policy.

Future Policy table

The following table sets out the principal components of the Policy.

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. It is Company's intention to review these fees every two years.	As this fee relates specifically to the Executive Directors' governance duties, it is pegged to the Non-Executive Directors' base fee though set at a lower amount. 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, sabbatical, paid holiday 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.
Profit-share (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 up to 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.	Bonuses are not subject solely to individual performance conditions and are paid in cash. The Board believes that this bonus scheme has worked well in motivating employees at all levels within the Company and that this is demonstrated by the high employee retention rates experienced by the Group. See KPI/bonus relationship on pages 67 to 68.	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.
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. Clawback is also applicable to the EIP.	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.

* As per the merger agreement, benefits for KIM employees remain consistent with pre-merger practices of KIM.

Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS continued				
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 existing 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 2x the amount they have waived.	Depending on the level of participation, if there is headroom, 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 for employees and Executive Directors will vest one-third each year over a three-year period for the awards made until October 2020 and one-fifth each year over a five-year period for awards to be made from October 2021 onwards for Executive Directors. 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 prorated amount.
Employee Stock Ownership Plan (ESOP)				
To encourage both Director and employee share ownership and align their long-term interests with that of shareholders.	The Plan is open to employees of all Group companies and 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. During the year, the Board granted share option awards to certain employees and Directors under the Company's ESOP. 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 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 February 2021 and the recommended increments effective 1st January 2021. Fees are paid monthly or quarterly in arrears, depending on Director's preference. It is company's intention to review these fees every two years.	The aggregate annual fees for Non-Executive Directors are limited to £310,000 in the Company's Articles of Association.	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.
Corporate Advisory Fees				
To pay a fair advisory fee, commensurate with individual's role and experience.				
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.

DIRECTORS' REPORT

The information contained in the sections of this Annual Report and Accounts identified below forms part of this Directors' report:

- Strategic report set out on pages 4 to 38;
- Corporate governance section set out on pages 40 to 83; and
- Statement of Directors' responsibilities set out on page 86.

Principal activity
City of London Investment Group PLC is the holding company for its two principal operating subsidiaries: City of London Investment Management Company Limited (CLIM) and Karpus Investment Management (KIM). Both CLIM and KIM act as investment managers with a total of US$11.4 billion (£8.3 billion) (2020: US$5.5 billion (£4.4 billion)) under management as at 30th June 2021.

Branches
CLIM has a subsidiary in Singapore and a branch in Dubai.

Going concern
The Directors' report should be read in conjunction with the governance report on pages 40 to 83 and the strategic report on pages 4 to 38, 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, including consideration of the impact of the COVID-19 pandemic, using the information available to the date of these financial statements.

During the year to 30th June 2021, the Group had no external borrowings and is wholly funded by equity. As at 30th June 2021, cash and cash equivalents were £25.5 million (2020: £14.6 million). Accordingly, the Directors are satisfied that the Group and Parent Company have adequate resources to meet their business needs for the foreseeable future, and the Financial Statements have therefore been prepared on the going concern basis, having considered the potential impact of COVID-19 on the Group's operations. Please see page 33 for the viability statement.

Results and dividend
The results of the Group for the year to 30th June 2021, together with details of amounts transferred to reserves, are set out on pages 94, 96 and 97. The Company has paid dividends of £9,743,124 during the period (2020: £6,993,095). The final dividend for the year to 30th June 2021 of 22p per share (2020: 20p) has been proposed, payable on 29th October 2021, subject to shareholder approval, to shareholders who are on the register of members on 8th October 2021. Refer to page 22 for dividend policy.

Annual General Meeting
The Company's AGM will be held at 11:30am on 18th October 2021 at The NED, 27 Poultry, London EC2R 8AJ. All resolutions will be taken on a poll and, accordingly, you are asked to vote by the means as set out in the Notes of the Notice of meeting.

Directors
The names and biographical details of the current Directors of the Company are given on pages 42 to 45. The Directors' interests are set out in the Directors' remuneration report on page 77.

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.

Share capital
As at 30th June 2021, the issued share capital of the Company was 50,679,095 (2020: 26,560,707) fully paid ordinary shares of 1p each, carrying one vote per share and a right to dividends, amounting to £506,791 (2020: £265,607). The ordinary shares of the Company have a premium listing on the London Stock Exchange. There are no restrictions on the transfer of shares.

Following completion of the merger with KIM, the Company entered a relationship agreement with the 'Controlling Shareholder Group' which regulates the ongoing relationship between the Company and the Controlling Shareholder Group. The members of the Controlling Shareholder Group agreed to limit their voting rights at any shareholder meeting, including the Annual General Meeting, to the lower of: (i) the number of shares held by them; and (ii) 24.99% of the votes cast on any resolution by all shareholders.

Own shares
The Company is, until the date of the next AGM on 18th October 2021, generally and unconditionally authorised to buy back up to 2,656,071 of its own ordinary shares of nominal value £0.01, representing approximately 10% of the Company's issued share capital as at the date of the 2020 Notice of AGM. In the year under review, the Company purchased and cancelled nil shares (2020: nil). The Company is seeking a renewal of this authority at the 2021 AGM.

The number of own shares purchased by the Company's Employee Benefit Trust during the year was 496,354 (2020: 483,250). The number of own shares held by the Trust as at 30th June 2021 was 1,591,158 (2020: 1,664,055), of which 405,750 shares (2020: 521,875) 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 678,120 shares (2020: 677,821) in custody for employees under the terms of the Employee Incentive Plan, see the Directors' remuneration report on page 72 for further details of the plan.

Substantial shareholdings
At 31st July 2021, the Company had been notified of the following interests of 3% or more in the Company's ordinary shares:

Name of shareholder	Number of voting rights	% of total voting rights held
Aberforth Partners LLP	2,560,745	5.05
George Karpus	15,948,201	31.5

Statement of Directors' responsibilities
The statement of Directors' responsibilities for preparing the Annual Report and Accounts is set out on page 86 and is deemed to form part of the Directors' report.

Corporate governance
The UK Corporate Governance Code (Code) is publicly available on the Financial Reporting Council's website: www.frc.org.uk. Refer to the governance report, as set out on pages 40 to 83, for detail regarding the Group's corporate governance arrangements. A full statement of compliance with the Code can be found on page 47.

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 34 to 37.

Conflict of interests
There are no potential conflicts of interest between any duties owed by the Directors or senior managers to the Company and their private interests and/or other duties; and no arrangements or understandings with any of the shareholders of the Company, clients, suppliers or others pursuant to which any Director or senior manager was selected to be a Director or senior manager. The Company tests regularly to ensure awareness of any future potential conflicts of interest and related party transactions.

Political donations
The Company did not make any political donations or incur any political expenditures to candidates or political campaigns during the period.

KIM transaction
As detailed in the Prospectus released on 12th June 2020, the CLIG Board entered into a Merger Agreement to acquire the entire issued share capital of Karpus Management Inc. (KIM), a US-based investment management business, on a debt-free basis, to be satisfied through the issue of 24.1 million new CLIG shares. On 13th July 2020, CLIG shareholders approved the merger with 99% voting in favour. The merger completed on 1st October 2020. Refer to note 6 of the notes to the accounts.

Greenhouse gas emissions
Information regarding the Group's greenhouse gas emissions can be found on page 36.

Engagement with Employees Statement
The Company is exempted from some reporting requirements, as it has not employed more than 250 employees in the UK during the year under review.

Engagement with Stakeholders Statement
The Company adheres to best-in-class operating standards, with a strong focus on clients, employees, shareholders and the environment. This element of reporting is discussed in the s172 Statement on pages 38.

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.

Internal control and risk management
The Audit & Risk Committee has responsibility for overseeing the framework for risk management and internal control and ensuring it functions appropriately.

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 & Risk 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 28 to 29.

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.

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

Tom Griffith
Chief Executive Officer

9th September 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic report, the Directors' report, the Directors' remuneration report 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 accounting standards in conformity with the requirements of the Companies Act 2006 and are additionally required under the Listing Rules of the Financial Conduct Authority to prepare the Group financial statements in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Directors have elected under Company law to prepare the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group and Company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006, and additionally for the Group financial statements International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 international accounting standards in conformity with the requirements of the Companies Act 2006, and additionally for the Group financial statements International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; 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 functions are listed on pages 42 and 45 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; and
- the Strategic Report and Directors' 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.

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

9th September 2021

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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 2021 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 significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and International Accounting Standards in conformity with the requirements 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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements 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 regulations.

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 going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included review of financial forecasts for a period of at least twelve months from approval of the financial statements including evaluation of downside scenarios and stress testing for the assessment period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Summary of our audit approach

Key audit matters	**Group** • Accuracy and completeness of management fees • Breach of investment mandates • Regulatory requirements • Acquisition accounting • Impairment of goodwill and intangible assets
Materiality	**Group** • Overall materiality: £1,190,000 (2020: £532,000) • Performance materiality: £899,000 (2020: £399,000) **Parent Company** • Overall materiality: £652,000 (2020: £438,000) • Performance materiality: £489,000 (2020: 328,000)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group and Parent Company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group and Parent Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy and completeness of management fees

Key audit matter description	As described in the accounting policies on page 103 management fees of £55,123,274 (note 2) are based on a percentage of Funds under Management in accordance with the respective 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 matter was addressed in the audit	Our audit work included analytical review of the total revenue and substantive testing of 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 custodian records of the relevant month-end Net Asset Value (NAV), reviewing the Investment Management Agreements (IMA) in place for key inputs into the management fee calculation and recalculating the expected management fee based on the NAV and % fee income documented in the IMA. In addition, our work included consideration of the design and implementation of controls over the inputs and calculation of management fee income with a sample tested to evidence of review and approval of the management fee calculation. Our review of investment mandates also provided additional evidence of the operation of management control over fee income.
Key observations	No significant variances were identified between the income recognised by the Group and our recalculation of the expected income. Furthermore, net asset value from the fund administrator records were in line with documentation held by the client.

Breach of investment mandates

Key audit matter description	The Group is responsible for managing assets in accordance with mandates agreed with 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 matter was addressed in the audit	Our audit work included review of the design and implementation of controls over reports generated by the Group's trade order management system. For a sample of days during the year, we checked that the daily control sheets are being reviewed on a daily basis and that any breaches identified in respect of investment mandates were properly recorded and addressed in a timely manner. For parts of the group where specific mandates are not applicable, we tested a sample of management fee transactions and confirmed that the fees were calculated in accordance with the investment management agreements.
Key observations	From the sample of days tested, no issues were identified in respect of 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

Key audit matter description	The continued compliance of City of London Investment Management Company Limited (CLIM) with its FCA registration represents a key audit matter as it is a company regulated by the FCA. Following the acquisition of Karpus Management Inc (KIM) on 1st October 2020, there is a risk associated with the continued compliance of KIM with SEC regulatory requirements.
How the matter was addressed in the audit	Our audit work included reviewing the controls in place to ensure ongoing compliance with the FCA regulatory requirements including reporting to the Board. In addition, we completed work to review compliance with the FCA laws and regulations. Our audit work in respect of KIM's compliance with the SEC regulatory requirements included holding discussions with US colleagues, KIM's Chief Compliance Officer and review of compliance documentation prepared by both management and an external consultant.
Key observations	Our testing did not identify any issues in respect of compliance with the CLIM's FCA registration or KIM's SEC registration.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

Acquisition accounting

Key audit matter description	As described in note 6, the Parent Company acquired Karpus Management Inc during the year, for total consideration of £101,887,540. Goodwill of £69,715,195 and intangible assets of £41,608,000 have been recognised in the consolidated statement of financial position in respect of this acquisition. There is a risk that the acquisition is not accounted for in accordance with the requirements of IFRS 3 'Business Combinations' and that inappropriate estimates or judgements (as disclosed in the accounting policies in note 1.3) may be applied in determining the fair value of the identifiable net assets at acquisition or the consideration payable, resulting in incorrect amounts being recognised in the financial statements. Because of the size of the acquisition, any errors could be material and so this is considered a key audit matter.
How the matter was addressed in the audit	Our work on the acquisition accounting included: • Considering management's assessment of the nature of the transaction and application of IFRS 3 'Business Combinations'. • Reviewing signed acquisition documentation. • Testing the fair value of the consideration transferred and assets and liabilities acquired, including the value assigned to separately identifiable intangible assets, associated deferred tax liabilities and goodwill. Where necessary we consulted with our internal valuation specialists to assist with the assessment of fair values. • Testing the purchase price allocation calculations for mathematical accuracy and consistency with the requirements of IFRS 3. • Considering the qualifications, credentials and independence of the valuation expert engaged by management. • Assessing the completeness and accuracy of disclosures within the financial statements.
Key observations	The business combination is recognised, measured and disclosed in accordance with the requirements of IFRS 3 'Business Combinations' and the Companies Act 2006.

Impairment of goodwill and intangible assets

Key audit matter description	Goodwill of £69,715,195 and intangible assets of £41,608,000 were recognised on the Group's acquisition during the year as described in note 6. Management are required by IAS 36 'Impairment of assets', to perform an annual impairment review for goodwill and for finite-life intangible assets where there are indicators of impairment. The test for impairment compares the carrying value of the cash generating unit to which the assets are allocated to their recoverable amount which is the higher of their fair value less costs to sell or value in use. Calculating the value in use requires management judgement as set out in the accounting policies in note 1.3 and the disclosures in note 12. The headroom in the impairment assessment is sensitive to changes in key assumptions (see note 12) and thus we consider this to represent a key audit matter.
How the matter was addressed in the audit	Our work on the impairment of goodwill and intangible assets included: • Considering management's assessment of the allocation of goodwill and intangible assets to a cash generating unit. • Testing the value in use calculations for mechanical accuracy and consistency with the requirements of IAS 36. • Assessing the length of the forecast period and long-term growth rates. • Challenging management on key assumptions in the forecast model including revenue and FuM growth and EBITDA margins. • Working with our internal valuation specialists to determine the appropriateness of the value in use calculation and accuracy of the discount rate calculation and basis. • Evaluating the sensitivity analysis prepared by management. • Considering the qualifications, credentials and independence of the valuation expert engaged by management. • Assessing the completeness and accuracy of disclosures within the financial statements.
Key observations	Following our work we are satisfied that the impairment review has been carried out in accordance with the requirements of IAS 36 and with the disclosures that have been made.

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. Based on our professional judgement, we determined materiality as follows:

Group

Overall materiality	£1,190,000 (2020: £532,000)
Basis for determining overall materiality	5% of profit before tax and exceptional items.
Rationale for benchmark applied	Profitability is considered to be a key benchmark monitored by management and investors.
Performance materiality	£899,000 (2020: £399,000)
Basis for determining performance materiality	75% of overall materiality.
Reporting of misstatements to the Audit Committee	Misstatements in excess of £10,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Parent Company

Overall materiality	£652,000 (2020: £438,000)
Basis for determining overall materiality	5% of profit before tax and exceptional items.
Rationale for benchmark applied	Profitability is considered to be a key benchmark monitored by management and investors.
Performance materiality	£489,000 (2020: 328,000)
Basis for determining performance materiality	75% of overall materiality.
Reporting of misstatements to the Audit Committee	Misstatements in excess of £10,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of seven components, located in the following countries;

- United Kingdom;
- United States of America; and
- Singapore.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	5	100%	97%	100%
Specific audit procedures	2	0%	3%	0%
Total	7	100%	100%	100%

The Group's newly acquired subsidiary in the United States of America was subject to a full scope audit to component materiality because the component was assessed as significant to the Group based on its individual financial significance and the nature of the significant risks identified.

RSM UK Audit LLP carried out analytical procedures at group level on the overseas subsidiary based in Singapore and specific audit procedures for the International REIT Fund based in the United States of America.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

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.

Corporate governance statement
The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 84;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why this period is appropriate set out on page 33;
- Directors' statement on fair, balanced and understandable set out on page 60;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 28;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 61; and,
- The section describing the work of the audit committee set out on pages 59 to 62.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 86, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Group and Parent Company operate in and how the Group and Parent Company are complying with the legal and regulatory frameworks.
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud.
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of correspondence with local tax authorities. Input from a tax specialist was obtained regarding the local tax requirements of the Group's acquired subsidiary during the year. Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.
FCA and SEC regulations	Refer to the Key Audit Matter in respect of regulatory requirements for details of the audit procedures performed.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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 consecutive appointments is four years, covering the years ending 30th June 2018 to 30th June 2021.

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

10th September 2021

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2021

	Note	Year to 30th June 2021 £	Year to 30th June 2020 £
Revenue			
Gross fee income	2	55,123,274	33,263,192
Commissions payable		(1,100,708)	(167,158)
Custody fees payable		(1,571,630)	(1,425,032)
Net fee income		52,450,936	31,671,002
Administrative expenses			
Employee costs	3(b)	20,045,406	15,677,364
Other administrative expenses		4,866,625	3,762,170
Depreciation and amortisation		3,969,586	633,083
		(28,881,617)	(20,072,617)
Underlying operating profit	5	23,569,319	11,598,385
Exceptional item			
Acquisition-related costs		(1,743,424)	(1,248,195)
Operating profit	5	21,825,895	10,350,190
Interest receivable/(payable) and similar gains/(losses)	7	423,109	(943,689)
Profit before taxation		22,249,004	9,406,501
Income tax expense	8	(5,258,486)	(2,040,523)
Profit for the period		16,990,518	7,365,978
Profit attributable to:			
Non-controlling interests (NCI)		19,285	(193,602)
Equity shareholders of the parent		16,971,233	7,559,580
Basic earnings per share	9	39.4p	30.3p
Diluted earnings per share	9	38.8p	29.5p

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2021

	Group		Company	
	Year to 30th June 2021 £	Year to 30th June 2020 £	Year to 30th June 2021 £	Year to 30th June 2020 £
Profit for the period	16,990,518	7,365,978	11,157,096	7,579,920
Other comprehensive income:				
Foreign currency translation difference	(6,675,136)	(48,494)	–	–
Total comprehensive income for the period	10,315,382	7,317,484	11,157,096	7,579,920
Attributable to:				
Equity shareholders of the parent	10,296,097	7,511,086	11,157,096	7,579,920
Non-controlling interests	19,285	(193,602)	–	–

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

30TH JUNE 2021

	Note	Group		Company	
		30th June 2021 £	30th June 2020 £	30th June 2021 £	30th June 2020 £
Non-current assets					
Property and equipment	10	455,983	542,918	280,596	341,087
Right-of-use assets	11	2,757,179	1,933,411	1,263,534	1,441,916
Intangible assets	12	100,961,992	47,309	7,377	18,752
Other financial assets	13	4,373,485	3,994,727	106,962,140	5,025,382
Deferred tax asset	14	366,405	348,008	9,458	12,600
		108,915,044	6,866,373	108,523,105	6,839,737
Current assets					
Trade and other receivables	15	6,953,470	6,133,878	6,662,266	11,611,160
Current tax receivable		–	–	1,005,736	905,406
Cash and cash equivalents		25,514,619	14,594,333	2,905,184	213,510
		32,468,089	20,728,211	10,573,186	12,730,076
Current liabilities					
Trade and other payables	16	(8,260,597)	(5,644,635)	(3,281,116)	(5,473,262)
Lease liabilities	17	(392,954)	(406,179)	(131,180)	(168,367)
Current tax payable		(1,367,564)	(835,849)	–	–
Creditors, amounts falling due within one year		(10,021,115)	(6,886,663)	(3,412,296)	(5,641,629)
Net current assets		22,446,974	13,841,548	7,160,890	7,088,447
Total assets less current liabilities		131,362,018	20,707,921	115,683,995	13,928,184
Non-current liabilities					
Lease liabilities	17	(2,348,101)	(1,552,219)	(1,148,549)	(1,279,729)
Deferred tax liability	18	(8,696,813)	(57,874)	(24,141)	(30,075)
Net assets		120,317,104	19,097,828	114,511,305	12,618,380
Capital and reserves					
Share capital	19	506,791	265,607	506,791	265,607
Share premium account	20	2,256,104	2,256,104	2,256,104	2,256,104
Merger relief reserve	19	101,538,413	–	101,538,413	–
Investment in own shares	20	(6,068,431)	(5,765,993)	(6,068,431)	(5,765,993)
Share option reserve	20	195,436	241,467	109,657	241,467
EIP share reserve	20	1,282,884	1,232,064	1,282,884	1,232,064
Foreign currency differences reserve	20	(6,629,251)	45,885	–	–
Capital redemption reserve	20	26,107	26,107	26,107	26,107
Retained earnings	20	27,019,584	20,626,405	14,859,780	14,363,024
Shareholders interest		120,127,637	18,927,646	114,511,305	12,618,380
Non-controlling interest		189,467	170,182	–	–
Total equity		120,317,104	19,097,828	114,511,305	12,618,380

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 £11,157,096 (2020: £7,579,920).

The Board of Directors approve and authorise for issue these financial statements on 9th September 2021.

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 2021

	Share capital £	Share premium account £	Merger relief reserve £	Investment in own shares £	Share option reserve £	EIP share reserve £	Foreign exchange reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	Non-controlling interest £	Total £
At 1st July 2019	265,607	2,256,104	–	(5,029,063)	299,011	1,015,316	94,379	26,107	20,075,712	19,003,173	3,405,928	22,409,101
Profit for the period	–	–	–	–	–	–	–	–	7,559,580	7,559,580	(193,602)	7,365,978
Other comprehensive income	–	–	–	–	–	–	(48,494)	–	–	(48,494)	–	(48,494)
Total comprehensive income	–	–	–	–	–	–	(48,494)	–	7,559,580	7,511,086	(193,602)	7,317,484
Transactions with owners												
Derecognisation of NCI investment	–	–	–	–	–	–	–	–	–	–	(2,767,519)	(2,767,519)
NCI investment/redemption	–	–	–	–	–	–	–	–	–	–	(274,625)	(274,625)
Share option exercise	–	–	–	359,431	(57,544)	–	–	–	57,544	359,431	–	359,431
Purchase of own shares	–	–	–	(2,044,150)	–	–	–	–	–	(2,044,150)	–	(2,044,150)
Share-based payment	–	–	–	–	–	695,099	–	–	–	695,099	–	695,099
EIP vesting/forfeiture	–	–	–	947,789	–	(478,351)	–	–	–	469,438	–	469,438
Deferred tax on share options	–	–	–	–	–	–	–	–	(79,409)	(79,409)	–	(79,409)
Current tax on share options	–	–	–	–	–	–	–	–	6,073	6,073	–	6,073
Dividends paid	–	–	–	–	–	–	–	–	(6,993,095)	(6,993,095)	–	(6,993,095)
Total transactions with owners	–	–	–	(736,930)	(57,544)	216,748	–	–	(7,008,887)	(7,586,613)	(3,042,144)	(10,628,757)
As at 30th June 2020	265,607	2,256,104	–	(5,765,993)	241,467	1,232,064	45,885	26,107	20,626,405	18,927,646	170,182	19,097,828
Profit for the period	–	–	–	–	–	–	–	–	16,971,233	16,971,233	19,285	16,990,518
Other comprehensive income	–	–	–	–	–	–	(6,675,136)	–	–	(6,675,136)	–	(6,675,136)
Total comprehensive income	–	–	–	–	–	–	(6,675,136)	–	16,971,233	10,296,097	19,285	10,315,382
Transactions with owners												
Issue of ordinary shares on merger	241,184	–	101,538,413	–	–	–	–	–	–	101,779,597	–	101,779,597
Share issue costs	–	–	–	–	–	–	–	–	(967,881)	(967,881)	–	(967,881)
Share option exercise	–	–	–	830,819	(119,787)	–	–	–	119,787	830,819	–	830,819
Purchase of own shares	–	–	–	(2,503,244)	–	–	–	–	–	(2,503,244)	–	(2,503,244)
Share-based payment	–	–	–	–	(12,023)	760,645	–	–	–	748,622	–	748,622
EIP vesting/forfeiture	–	–	–	1,369,987	–	(709,825)	–	–	–	660,162	–	660,162
Deferred tax on share options	–	–	–	–	85,779	–	–	–	(20,574)	65,205	–	65,205
Current tax on share options	–	–	–	–	–	–	–	–	33,738	33,738	–	33,738
Dividends paid	–	–	–	–	–	–	–	–	(9,743,124)	(9,743,124)	–	(9,743,124)
Total transactions with owners	241,184	–	101,538,413	(302,438)	(46,031)	50,820	–	–	(10,578,054)	90,903,894	–	90,903,894
As at 30th June 2021	506,791	2,256,104	101,538,413	(6,068,431)	195,436	1,282,884	(6,629,251)	26,107	27,019,584	120,127,637	189,467	120,317,104

COMPANY STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2021

	Share capital £	Share premium account £	Merger reserve £	Investment in own shares £	Share option reserve £	EIP share reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £
At 1st July 2019	265,607	2,256,104	–	(5,029,063)	299,011	1,015,316	26,107	13,776,698	12,609,780
Profit for the period	–	–	–	–	–	–	–	7,579,920	7,579,920
Total comprehensive income	–	–	–	–	–	–	–	7,579,920	7,579,920
Transactions with owners									
Share option exercise	–	–	–	359,431	(57,544)	–	–	24,465	326,352
Purchase of own shares	–	–	–	(2,044,150)	–	–	–	–	(2,044,150)
Share-based payment	–	–	–	–	–	695,099	–	–	695,099
EIP vesting/forfeiture	–	–	–	947,789	–	(478,351)	–	–	469,438
Deferred tax on share options	–	–	–	–	–	–	–	(27,021)	(27,021)
Current tax on share options	–	–	–	–	–	–	–	2,057	2,057
Dividends paid	–	–	–	–	–	–	–	(6,993,095)	(6,993,095)
Total transactions with owners	–	–	–	(736,930)	(57,544)	216,748	–	(6,993,594)	(7,571,320)
As at 30th June 2020	265,607	2,256,104	–	(5,765,993)	241,467	1,232,064	26,107	14,363,024	12,618,380
Profit for the period	–	–	–	–	–	–	–	11,157,096	11,157,096
Total comprehensive income	–	–	–	–	–	–	–	11,157,096	11,157,096
Transactions with owners									
Issue of ordinary shares on merger	241,184	–	101,538,413	–	–	–	–	–	101,779,597
Share issue costs	–	–	–	–	–	–	–	(967,881)	(967,881)
Share option exercise	–	–	–	830,819	(119,787)	–	–	43,546	754,578
Purchase of own shares	–	–	–	(2,503,244)	–	–	–	–	(2,503,244)
Share-based payment	–	–	–	–	(12,023)	760,645	–	–	748,622
EIP vesting/forfeiture	–	–	–	1,369,987	–	(709,825)	–	–	660,162
Deferred tax on share options	–	–	–	–	–	–	–	(3,142)	(3,142)
Current tax on share options	–	–	–	–	–	–	–	10,261	10,261
Dividends paid	–	–	–	–	–	–	–	(9,743,124)	(9,743,124)
Total transactions with owners	241,184	–	101,538,413	(302,438)	(131,810)	50,820	–	(10,660,340)	90,735,829
As at 30th June 2021	506,791	2,256,104	101,538,413	(6,068,431)	109,657	1,282,884	26,107	14,859,780	114,511,305

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2021

		Group		Company	
	Note	30th June 2021 £	30th June 2020[2] £	30th June 2021 £	30th June 2020[2] £
Cash flow from operating activities					
Profit/(loss) before taxation		22,249,004	9,406,501	(888,940)	(1,284,600)
Adjustments for:					
Depreciation of property and equipment	10	187,714	205,144	107,667	116,579
Depreciation of right-of-use assets	11	492,730	341,247	178,382	178,381
Amortisation of intangible assets	12	3,289,142	86,691	11,375	14,291
Share-based payment credit	3b	(12,023)	–	(697)	–
EIP-related charge		802,314	685,606	325,971	329,187
Unrealised (gain)/loss on investments	7	(540,172)	887,543	(282,169)	244,356
Net interest receivable		117,063	56,146	97,191	85,274
Translation adjustments		33,529	(86,860)	184,313	(23,937)
Cash generated from/(used in) operations before changes in working capital		26,619,301	11,582,018	(266,907)	(340,469)
(Increase)/decrease in trade and other receivables		(439,607)	(71,359)	556,716	125,026
Increase/(decrease) in trade and other payables		2,800,465	139,889	3,251,325	1,812,083
Cash generated from/(used in) operations		28,980,159	11,650,548	3,541,134	(1,596,640)
Interest received	7	17,689	74,033	253	1,812
Interest paid on leased assets	7	(133,827)	(116,958)	(97,444)	(87,086)
Interest paid	7	(925)	(13,221)	–	–
Taxation paid		(5,841,493)	(2,035,690)	(240,142)	(1,474,279)
Net cash generated from operating activities		23,021,603	9,558,712	3,203,801	37,087
Cash flow from investing activities					
Dividends received from subsidiaries		–	–	12,200,000	8,800,000
Purchase of property and equipment and intangibles	10	(93,342)	(78,551)	(47,176)	(43,111)
Purchase of non-current financial assets		(715)	(1,218)	(724)	(1,218)
Proceeds from sale of current financial assets		–	124,209	–	124,209
Cash consideration paid on merger net of cash acquired	6	946,773	–	(107,943)	–
Net cash generated from investing activities		852,716	44,440	12,044,157	8,879,880
Cash flow from financing activities					
Ordinary dividends paid	21	(9,743,124)	(6,993,095)	(9,743,124)	(6,993,095)
Purchase of own shares by employee share option trust		(2,503,244)	(2,044,150)	(2,503,244)	(2,044,150)
Proceeds from sale of own shares by employee share option trust		830,819	359,431	830,819	359,431
Payment of lease liabilities	17(c)	(486,680)	(303,243)	(168,367)	(178,725)
Share issue costs		(967,881)	–	(967,881)	–
Net cash used in financing activities		(12,870,110)	(8,981,057)	(12,551,797)	(8,856,539)
Net increase in cash and cash equivalents		11,004,209	622,095	2,696,161	60,428
Cash and cash equivalents at start of period		14,594,333	13,813,089	213,510	146,836
Cash held in funds[1]		20,357	53,819	–	–
Effect of exchange rate changes		(104,280)	105,330	(4,487)	6,246
Cash and cash equivalents at end of period		25,514,619	14,594,333	2,905,184	213,510

Notes:

1) Cash held in International REIT fund was consolidated using accounts drawn up as of 30th June.

2) Following an FRC corporate reporting review of the Group's 2020 Annual Report and Accounts, in accordance with IAS 7 paragraph 16, acquisition-related costs disclosed as cash flows from investing activities in the 2020 financial statements have been restated as cash flows from operating activities within the 2020 comparative above. This restatement does not impact closing cash; it solely relates to the classification of these 2020 exceptional cash outflows as operating activities as opposed to investing activities as previously reported. Refer note 23 'Restatement of cash flow information'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES

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.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

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.

1.2 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.

The following amended standards and interpretations are in issue but not yet effective and considered not to have a material impact on the Group's financial statements:

- IFRS 3 – Definition of a Business
- IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reforms
- IFRS 16 – COVID-19 Related rent concessions

1.3 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:

(i) 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 Share-based payment, the Group is required to estimate the fair value of the EIP awards due to be granted in October 2021. 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. Refer to note 1.13 for accounting policy.

(ii) Acquisition-related costs

The Group has incurred combined transaction costs of £4.0 million in relation to its merger with KIM, comprising acquisition-related and share issuance costs. Based on discussions with our advisers and in our management judgement, we have allocated the various combined transaction costs between acquisition-related amounting to £3.0 million and share issuance costs amounting to £1.0 million on a rational and consistent basis as per IAS 32.38. Out of this, acquisition-related costs amounting to £1.2 million were recognised in the year ended 30th June 2020. Acquisition-related costs are recognised in profit or loss and share issuance costs are recognised in retained earnings. Refer to note 1.19 for accounting policy.

(iii) EM REIT fund

The Company has a c.21% ownership interest in the EM REIT fund. However, it does not have any voting powers and its decision-making powers are held in the capacity of an agent of the investors as a group. The Company has therefore concluded that it does not control or have significant influence over this fund.

(iv) Acquisition accounting, and valuation of other intangible assets and goodwill

The Directors have concluded that the merger with KIM has to be treated as an acquisition and consolidated in the Group's financial statements in accordance with the guidance in IFRS 3 Business Combinations. The determination of the value of goodwill and other intangible assets at the date of acquisition requires elements of judgement. Details of judgements and estimates in assessing the fair value of goodwill and other intangible acquired at acquisition are included in notes 1.6 – accounting policies, note 6 – business combinations and note 12 – intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(v) Impairment of Goodwill

The recognition of goodwill in a business combination and subsequent impairment assessments are based on significant accounting estimates. Notes 1.7 and 12 detail our estimates and assumptions in relation to the impairment assessment of goodwill.

1.4 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. The consolidated financial statements also incorporate the results of the business combination using the acquisition method. The acquiree's identifiable net assets are initially recognised at their fair values at the acquisition date. The results of the acquired business are included in the consolidated statement of comprehensive income from the date on which control is obtained.

When assessing whether to consolidate an entity, the Group evaluates a range of control factors as defined under IFRS 10 Consolidated financial statements, 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; and
- 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 2021 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
Karpus Management Inc.	Management of funds	100%	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

* International REIT Fund has a year end of 31st December. As this fund has a financial year end that differs from that of the Company, it is consolidated using accounts drawn up as of 30th June.

** Controlling interest is based on the interest held directly and with a related party.

The registered addresses of the subsidiary companies are as follows:

City of London Investment Management Company Limited City of London US Investments Limited City of London US Services Limited City of London Latin America Limited	77 Gracechurch Street, London EC3V 0AS, UK
City of London Investment Management Company (Singapore) PTE Ltd	20 Collyer Quay, #10-04, Singapore 049319
Karpus Management Inc.	183 Sully's Trail, Pittsford, New York 14534, USA
International REIT fund	4005 Kennett Pike, Suite 250, Greenville, DE 19807, USA

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

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.5 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

1.6 Intangible assets

Intangible assets acquired separately are initially recognised at cost. Intangible assets acquired through a business combination other than goodwill, are initially measured at fair value at the date of the acquisition.

(i) Goodwill

Goodwill arises through a business combination. Goodwill represents the excess of the purchase consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities of the business at the date of the acquisition.

Goodwill is measured at cost less accumulated impairment losses. Goodwill on acquisition is allocated to a cash generating unit (CGU), that is expected to benefit from the acquisition, for the purpose of impairment testing. The CGU to which goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes. A CGU is identified as a group of assets generating cash inflows which are independent from cash inflows from other Group cash generating assets and are not larger than the Group's operating segments.

(ii) Direct customer relationships and distribution channels

The fair values of direct customer relationships and distribution channels acquired in the business combination have been measured using a multi-period excess earnings method. These are amortised on a straight line basis over the period of their expected benefit, being a finite life of 10 years for direct customer relationships and a finite life of seven years for distribution channels.

(iii) Trade name

The fair value of trade name acquired in the business combination has been measured using a relief royalty method. This is amortised on a straight line basis over the period of its expected benefit, being a finite life of 15 years.

(iv) Software licences

Software licences are capitalised at cost and amortised on a straight basis over the useful life of the asset. Costs are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs also include directly attributable overheads. The estimated useful life over which the software is deprecated is between 4 to 10 years. Software integral to a related item of hardware equipment is accounted for as property and equipment. Costs associated with maintaining computer software programs are expensed to the income statement as incurred.

1.7 Impairment of goodwill

Goodwill arising on acquisition is not subject to annual amortisation and is tested annually for impairment, or more frequently if changes in circumstances indicate a possible impairment. The Group annually reviews the carrying value of its CGU to ensure that those assets have not suffered from any impairment loss. The review compares the recoverable amount of the CGU to which goodwill is allocated against its carrying amount. Where the recoverable amount is higher than the carrying amount, no impairment is required. The recoverable amount is defined as the higher of (a) fair value less costs to sell or (b) value in use, which is based on the present value of future cash flows expected to derive from the CGU. Refer note 12 for further details.

Any impairment loss is recognised immediately through the income statement.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.8 Business combinations
The Group accounts for business combinations using the acquisition method. A business combination is determined where in a transaction, the asset acquired and the liabilities assumed constitute a business.

The consideration transferred on the date of the transaction is measured at fair value as are the identifiable assets acquired and liabilities assumed. Intangible assets are recognised separately from goodwill at the acquisition date only when they are identifiable.

1.9 Financial instruments
Financial instruments are only recognised in the financial statements and measured at fair value when the Group becomes party to the contractual provisions of the instrument.

Under IFRS 9 Financial Instruments financial assets are 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 re-measured at fair value, with any movement recognised in the income statement. The fair value of the Group's investments 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.

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 twelve-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 twelve 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.

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.

1.10 Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and on-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.

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

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.12 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.

1.13 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.

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 for all employees, other than Executive Directors of CLIG. Awards granted from October 2021 onwards will vest (i.e. no longer be forfeitable) over a five-year period with one-fifth vesting each year for Executive Directors of CLIG.

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.

The Company operates 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 Black-Scholes pricing model, and is being 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. Refer note 22 for details of the fair value assumptions applied to the options granted during the year.

1.14 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.15 Commissions payable

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

1.16 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, Karpus Investment Management 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 The Effects of Changes in Foreign Exchange Rates 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.

1.17 Leases

The total outstanding lease cost, discounted at the Group's weighted average incremental borrowing rate to its present value, is shown as a lease liability in the statement of financial position. The payment of the lease charge is allocated between the lease liability and an interest charge in the income statement.

On recognition of the lease liability, the associated asset is shown as a right-of-use asset. This is further adjusted for any lease payments made prior to adoption and any future restoration costs as implicit within the lease contract. The resulting total value of the right-of-use asset is depreciated on a straight line basis over the term of the lease period.

The Group re-measures the lease liability whenever:

- there is a change in the lease term.
- there is a change in the lease payments.
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

Where there is a change in the lease term or lease payments, the lease liability is re-measured by discounting the revised lease payments at the current or revised discount rate depending on the nature of the event. Where the lease liability is re-measured, a corresponding adjustment is made to the right-of-use assets.

Where extension/termination options exists within a lease, the Group would assess at the lease commencement date as to whether it is reasonably certain that it will exercise these options. The Group would reassess these option if there was a significant event or significant change in circumstances within its control, which would warrant the Group with reasonable certainty to exercise these options.

Payments in relation to short-term leases, those that are less than twelve months in duration continue to be treated as operating leases and the costs are expensed to the income statement on a straight line basis. At the end of the year, all of the Group's leases were recognised as right-of-use assets.

1.18 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.

1.19 Exceptional items

Exceptional items are significant items of non-recurring expenditure that have been separately presented by virtue of their nature to enable a better understanding of the Group's financial performance. Exceptional items relate to acquisition-related costs incurred by the Group in relation to its merger.

2. 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 2021						
Gross fee income	52,215,280	1,458,957	356,462	1,092,575	–	55,123,274
Non-current assets:						
Property and equipment	175,387	–	254,197	–	26,399	455,983
Right-of-use assets	1,421,279	–	1,263,534	–	72,366	2,757,179
Intangible assets	100,954,615	–	7,377	–	–	100,961,992
Year to 30th June 2020						
Gross fee income	30,893,843	1,166,649	330,992	871,708	–	33,263,192
Non-current assets:						
Property and equipment	201,831	–	317,522	–	23,565	542,918
Right-of-use assets	323,813	–	1,441,916	–	167,682	1,933,411
Intangible assets	28,557	–	18,752	–	–	47,309

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. Included in revenues are fees of £5,470,051 (2020: £4,392,106) which arose from fee income from the Group's largest client. No other single client contributed 10% or more to the Group's revenue in either of the reporting periods.

3. EMPLOYEES

	Group		Company	
(a) Average number of persons employed by the Group in the period:	Year to 30th June 2021 Number	Year to 30th June 2020 Number	Year to 30th June 2021 Number	Year to 30th June 2020 Number
Investment Management/Research	37	28	17	17
Performance and Attribution	4	4	–	–
Business Development/Marketing	12	4	1	1
Client Services	10	7	2	2
Administration, Accounts and Settlements	36	29	8	8
	99	72	28	28

	Group		Company	
(b) The aggregate employment costs of employees and Directors were:	Year to 30th June 2021 £	Year to 30th June 2020 £	Year to 30th June 2021 £	Year to 30th June 2020 £
Wages and salaries	8,695,066	6,833,245	3,396,654	3,087,816
Profit sharing payments	7,426,912	5,654,202	3,158,650	2,452,134
Social security costs	1,283,227	1,163,021	796,720	813,318
Defined contribution pension costs	1,169,045	763,490	349,649	339,012
EIP-related charges	950,705	867,072	460,833	419,885
Share options credit	(12,023)	–	(697)	–
Other staff costs	532,474	396,334	149,896	154,113
	20,045,406	15,677,364	8,311,705	7,266,278

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4. DIRECTORS

Directors' emoluments comprise:	Year to 30th June 2021 £	Year to 30th June 2020 £
Emoluments (excluding pension contributions and awards under share option schemes)	2,618,151	2,376,153
EIP participation	166,673	190,071
Social security costs	174,144	223,270
Pension contributions	110,393	91,961
EIP-related charges	250,770	275,228
Gains on exercise of share options	5,750	12,635
Other taxable benefits ^	19,359	21,205

	Year to 30th June 2021 Number	Year to 30th June 2020 Number
Number of Directors on whose behalf pension contributions were paid during the period	5	5
Number of Directors who exercised share options during the period	1	1

Highest paid Director's remuneration:	Year to 30th June 2021 £	Year to 30th June 2020 £
Emoluments (excluding pension contributions and awards under share option schemes)	708,623	567,121
EIP participation	24,040	80,800
Social security costs	17,618	18,154
Pension contributions	26,388	28,293
EIP-related charges	91,011	109,135
Gains on exercise of share options	5,750	12,635
Other taxable benefits ^	6,046	5,622

(^) 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.

Further details relating to Directors' emoluments can be found in the remuneration report on pages 63 to 83.

5. OPERATING PROFIT

The operating profit is arrived at after charging:	Year to 30th June 2021 £	Year to 30th June 2020 £
Depreciation of property and equipment	187,714	205,144
Depreciation of right-of-use assets	492,730	341,247
Amortisation of intangible assets	3,289,142	86,691
Auditor's remuneration:		
– Statutory audit	122,318	90,115
– Audit related assurance services	20,297	10,630
– (Over)/under-accrual of prior year audit fees	(168)	274
– Non-audit services relating to KIM transaction*	–	150,608
Short-term lease expense	7,891	46,568

* £37,652 out of this amount was included in exceptional costs for the year ended 30th June 2020 and the balance was included in other receivables as at 30th June 2020. On completion of the merger in FY 2021, the share issuance cost has been deducted from retained earnings.

6. BUSINESS COMBINATIONS

On 1st October 2020, City of London Investment Group PLC completed the merger of Snowball Merger Sub, Inc. with and into Karpus Management Inc. doing business as Karpus Investment Management (KIM), a US-based investment management business, on a debt-free basis, by way of a scheme of arrangement in accordance with the New York Business Corporation Law, with KIM being the surviving entity in the merger. CLIG acquired 100% of voting equity interest in KIM and the merger was satisfied by issue of new ordinary shares and cash for a total consideration of £101,887,540. KIM uses closed-end funds (CEFs) amongst other securities as a means to gain exposure for its client base comprising of US high net worth clients and corporate accounts. It qualifies as a business as defined in IFRS 3 Business Combinations. The merger is considered to be of substantial strategic and financial benefit to the Group and its shareholders.

Details of the net assets acquired, goodwill and purchase consideration are as follows:

	£
Cash and cash equivalents	1,054,716
Right-of-use assets	156,405
Property and equipment	31,560
Intangibles: direct customer relationships (note 12)	35,644,000
Intangibles: distribution channels (note 12)	4,877,000
Intangibles: trade name (note 12)	1,087,000
Trade and other receivables	380,038
Trade and other payables	(677,879)
Net corporation tax liability	(379,580)
Deferred tax liability	(10,000,915)
Total identifiable assets acquired and liabilities assumed	32,172,345
Goodwill (note 12)	69,715,195
Net assets acquired	101,887,540
Satisfied by:	
Cash	107,943
Issue of 24,118,388 new ordinary shares	101,779,597
Total consideration transferred	101,887,540
Net cash inflow arising on merger	
Cash consideration paid	(107,943)
Less: cash and cash equivalent balance acquired	1,054,716
	946,773

The 30th September 2020 closing exchange rate of 1.292 was used to translate the US dollar acquired assets to our reporting currency.

The intangible assets recognised on completion of the merger of £41,608,000 relate to direct customer relationships, distribution channels and KIM's trade name (note 12).

The goodwill of £69,715,195 (including deferred tax liability of £9,985,920) arises as a result of acquired workforce and expected future growth. Goodwill is not deductible for income tax purposes.

The fair value of the 24,118,388 new ordinary shares issued as part of the consideration paid for KIM was based on the 30th September 2020 closing market price per share of £4.22. An amount of £101,538,413 was recognised as a merger relief reserve in relation to this new issue of shares. Share issue costs amounting to £967,881 were deducted from retained earnings.

Acquisition-related costs of £1,743,424 (year ending 2020 – £1,248,195) were charged to the income statement and shown under exceptional items.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6. BUSINESS COMBINATIONS CONTINUED

The gross contractual amount of trade and other receivables acquired is equal to their fair value of £380,038 and was considered to be fully recoverable at the date of the merger. The fair value of all other net assets acquired were equal to their carrying value.

During the nine months to 30th June 2021, KIM contributed £15,488,810 of net fee income and £7,574,756 of profit after tax to the Group's consolidated income statement.

If the merger was completed at the beginning of the current financial year, the Group's net fee income would have been £57,602,430 and Group's profit after tax would have been £17,916,183 for the current reporting period.

7. INTEREST RECEIVABLE/(PAYABLE) AND SIMILAR GAINS/(LOSSES)

	Year to 30th June 2021 £	Year to 30th June 2020 £
Interest on bank deposits	17,689	74,033
Unrealised gain/(loss) on investments	540,172	(886,256)
Loss on hedging investments	–	(1,287)
Interest payable on lease liabilities	(133,827)	(116,958)
Interest payable on restated US tax returns	(925)	(13,221)
	423,109	(943,689)

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge on ordinary activities:	Year to 30th June 2021 £	Year to 30th June 2020 £
Current tax:		
UK corporation tax at 19% (2020: 19%) based on profit for the period	4,510,249	2,169,283
Double taxation relief	(947,061)	(497,843)
Adjustment in respect of prior years	35,246	(58,985)
UK tax total	3,598,434	1,612,455
Foreign tax	2,435,832	659,394
Adjustment in respect of prior years	(81,966)	(98,722)
Foreign tax total	2,353,866	560,672
Total current tax charge	5,952,300	2,173,127
Deferred tax:		
UK – origination and reversal of temporary differences	39,423	(126,714)
Foreign – origination and reversal of temporary differences	(733,237)	(5,890)
Total deferred tax credit	(693,814)	(132,604)
Total tax charge in income statement	5,258,486	2,040,523

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES CONTINUED

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

The tax charge on profit for the year is different to that resulting from applying the standard rate of corporation tax in the UK of 19% (2020:19%).

The differences are explained below:

	Year to 30th June 2021 £	Year to 30th June 2020 £
Profit on ordinary activities before tax	22,249,004	9,406,501
Tax on profit from ordinary activities at the standard rate	(4,227,311)	(1,787,235)
Effects of:		
Unrelieved overseas tax	(2,793,433)	(161,551)
Foreign profits taxed at rates different to those of the UK	1,922,253	–
Expenses not deductible for tax purposes	(947,021)	(236,574)
Gains/(losses) not eligible for tax	49,022	(122,206)
Capital allowances less than depreciation	(19,255)	(27,774)
Prior period adjustments	46,720	157,707
Deferred tax originating from timing differences	693,814	132,604
Other	16,725	4,506
Total tax charge in income statement	(5,258,486)	(2,040,523)

The UK Government announced on 3rd March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1st April 2023. As this rate was not substantively enacted at the year end, deferred tax on future UK taxable profits has been calculated based on the prevailing rate of 19%. The net UK group deferred tax asset comprises a mixture of separate deferred tax assets and liabilities. Due to timing differences as to when these deferred tax assets and liabilities will realise into current tax, the estimated impact of the new 25% rate on the deferred tax asset would be immaterial.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period attributable to the equity shareholders of the parent divided by the weighted average number of ordinary shares in issue for the period ended 30th June 2021.

As set out in the Directors' report on page 84 the Employee Benefit Trust held 1,591,158 ordinary shares in the Company as at 30th June 2021. The Trustees of the Trust have waived all rights to dividends associated with these shares. In accordance with IAS 33 Earnings per share, 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 for the period attributable to the equity shareholders of the parent divided by the diluted weighted average number of ordinary shares in issue for the period ended 30th June 2021.

NOTES TO THE FINANCIAL STATEMENTS

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9. EARNINGS PER SHARE CONTINUED

Reported earnings per share

	Year to 30th June 2021 £	Year to 30th June 2020 £
Profit attributable to the equity shareholders of the parent for basic earnings	16,971,233	7,559,580

	Number of shares	Number of shares
Issued ordinary shares as at 1st July	26,560,707	26,560,707
Effect of own shares held by EBT	(1,502,266)	(1,595,866)
Effect of shares issued in the period	18,039,233	–
Weighted average shares in issue	43,097,674	24,964,841
Effect of movements in share options and EIP awards	677,739	658,251
Diluted weighted average shares in issue	43,775,413	25,623,092
Basic earnings per share (pence)	39.4	30.3
Diluted earnings per share (pence)	38.8	29.5

Underlying earnings per share*

Underlying earnings per share is based on the underlying profit after tax*, where profit after tax is adjusted for gain/loss on investments, acquisition-related costs, amortisation of acquired intangibles, their relating tax impact and non-controlling interest.

Underlying profit for calculating underlying earnings per share

	Year to 30th June 2021 £	Year to 30th June 2020 £
Profit before tax	22,249,004	9,406,501
Add back:		
– (Gain)/loss on investments	(540,172)	887,543
– Acquisition-related costs	1,743,424	1,248,195
– Amortisation on acquired intangibles	3,250,185	–
Underlying profit before tax	26,702,441	11,542,239
Tax expense as per the consolidated income statement	(5,258,486)	(2,040,523)
Tax effect on acquisition-related costs and amortisation on acquired intangibles	(677,412)	(168,633)
Adjustment for NCI	(19,285)	193,602
Underlying profit after tax for the calculation of underlying earnings per share	20,747,258	9,526,685
Underlying earnings per share (pence)	48.1	38.2
Underlying diluted earnings per share (pence)	47.4	37.2

* This is an Alternative Performance Measure (APM). Please refer to page 33 for more details on APMs.

10. PROPERTY AND EQUIPMENT

	30th June 2021				30th June 2020			
	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	391,426	1,597,979	661,094	2,650,499	384,661	1,595,052	650,690	2,630,403
Acquired on acquisition	7,480	9,075	15,005	31,560	–	–	–	–
Currency translation	(16,945)	(81,259)	(48,445)	(146,649)	3,629	(15,907)	10,404	(1,874)
Additions	1,910	91,432	–	93,342	3,136	75,379	–	78,515
Disposals	–	(82,427)	–	(82,427)	–	(56,545)	–	(56,545)
At close of period	383,871	1,534,800	627,654	2,546,325	391,426	1,597,979	661,094	2,650,499
Accumulated depreciation								
At start of period	245,994	1,433,039	428,548	2,107,581	221,411	1,357,673	381,271	1,960,355
Currency translation	(15,976)	(77,711)	(28,839)	(122,526)	3,258	(17,069)	12,438	(1,373)
Charge for the period	24,748	120,621	42,345	187,714	21,325	148,980	34,839	205,144
Disposals	–	(82,427)	–	(82,427)	–	(56,545)	–	(56,545)
At close of period	254,766	1,393,522	442,054	2,090,342	245,994	1,433,039	428,548	2,107,581
Net book value								
At close of period	129,105	141,278	185,600	455,983	145,432	164,940	232,546	542,918
Company								
Cost								
At start of period	235,371	483,498	213,321	932,190	235,371	486,841	213,321	935,533
Additions	770	46,406	–	47,176	–	43,111	–	43,111
Disposals	–	(37,112)	–	(37,112)	–	(46,454)	–	(46,454)
At close of period	236,141	492,792	213,321	942,254	235,371	483,498	213,321	932,190
Accumulated depreciation								
At start of period	97,715	361,214	132,174	591,103	80,398	318,549	122,031	520,978
Charge for the period	17,510	80,014	10,143	107,667	17,317	89,119	10,143	116,579
Disposals	–	(37,112)	–	(37,112)	–	(46,454)	–	(46,454)
At close of period	115,225	404,116	142,317	661,658	97,715	361,214	132,174	591,103
Net book value								
At close of period	120,916	88,676	71,004	280,596	137,656	122,284	81,147	341,087

NOTES TO THE FINANCIAL STATEMENTS

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11. RIGHT-OF-USE ASSETS

	30th June 2021			30th June 2020
	Property leases £	Office equipment leases £	Total £	Property leases £
Group				
Cost				
At start of period	2,278,892	–	2,278,892	–
Acquired on acquisition	156,405	–	156,405	–
Currency translation	(12,240)	–	(12,240)	15,706
Additions	–	59,515	59,515	2,263,186
Effect of modification of lease term	1,106,384	–	1,106,384	–
At close of period	3,529,441	59,515	3,588,956	2,278,892
Depreciation charge				
At start of period	345,481	–	345,481	–
Currency translation	(6,588)	154	(6,434)	4,234
Charge for the period	483,728	9,002	492,730	341,247
At close of period	822,621	9,156	831,777	345,481
Net book value				
At close of period	2,706,820	50,359	2,757,179	1,933,411
Company				
Cost				
At start of period	1,620,297	–	1,620,297	–
Additions	–	–	–	1,620,297
At close of period	1,620,297	–	1,620,297	1,620,297
Depreciation charge				
At start of period	178,381	–	178,381	–
Charge for the period	178,382	–	178,382	178,381
At close of period	356,763	–	356,763	178,381
Net book value				
At close of period	1,263,534	–	1,263,534	1,441,916

As at the period end, the Group's right-of-use assets consisted of six property leases and one office equipment lease. The current lease periods range between less than one year and ten years, with the average remaining term being 4.1 years. Expenses in relation to short-term leases are shown in note 5.

Details of lease liabilities are shown in note 18.

12. INTANGIBLE ASSETS

	30th June 2021						30th June 2020
	Goodwill £	Direct customer relationships £	Distribution channels £	Trade name £	Long-term software £	Total £	Total £
Group							
Cost							
At start of period	–	–	–	–	761,971	761,971	745,594
Acquired on acquisition (note 6)	69,715,195	35,644,000	4,877,000	1,087,000	–	111,323,195	–
Currency translation	(4,591,898)	(2,171,666)	(286,814)	(68,017)	(72,871)	(7,191,266)	16,377
At close of period	65,123,297	33,472,334	4,590,186	1,018,983	689,100	104,893,900	761,971
Amortisation charge							
At start of period	–	–	–	–	714,662	714,662	552,129
Currency translation	–	–	–	–	(71,896)	(71,896)	75,842
Charge for the period	–	2,673,300	522,535	54,350	38,957	3,289,142	86,691
At close of period	–	2,673,300	522,535	54,350	681,723	3,931,908	714,662
Net book value	65,123,297	30,799,034	4,067,651	964,633	7,377	100,961,992	47,309
Company							
Cost							
At start of period	–	–	–	–	57,162	57,162	57,162
At close of period	–	–	–	–	57,162	57,162	57,162
Amortisation charge							
At start of period	–	–	–	–	38,410	38,410	24,119
Charge for the period	–	–	–	–	11,375	11,375	14,291
At close of period	–	–	–	–	49,785	49,785	38,410
Net book value	–	–	–	–	7,377	7,377	18,752

Goodwill, direct client relationships, distribution channels and trade name acquired through business combination relate to the merger with KIM on 1st October 2020 (see note 6).

The fair values of KIM's direct customer relationships and the distribution channels have been measured using a multi-period excess earnings method. The model uses estimates of annual attrition driving revenue from existing customers to derive a forecast series of cash flows, which are discounted to a present value to determine the fair values of KIM's direct customer relationships and the distribution channels (see note 6).

The fair value of KIM's trade name has been measured using a relief from royalty method. The model uses estimates of royalty rate and percentage of revenue attributable to trade name to derive a forecast series of cash flows, which are discounted to a present value to determine the fair value of KIM's trade name (see note 6).

The total amortisation charged to the income statement for the nine-month period from the date of the merger in relation to direct client relationships, distribution channels and trade name, was £3,250,185 (2020: n/a).

Impairment

Goodwill acquired through the business combination of £69,715,195 is in relation to the merger with KIM and relates to the acquired workforce and future expected growth of the CGU (note 6 business combinations).

The Group has carried out an annual review of the carrying value of its CGU to which the goodwill is allocated to see if it has suffered any impairment. The recoverable amount of the CGU is determined by its value in use. This income-based approach model is based on the estimates of future cash flows, over a five-year period, discounted to its present value.

NOTES TO THE FINANCIAL STATEMENTS

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12. INTANGIBLE ASSETS CONTINUED

The Group's cash flow forecasts are based on its most recent and current trading activity and on current financial budgets that are approved by the Board. The key assumptions underlying the budgets are based on the most recent trading activity with built in organic growth, revenue and cost margins. The current budget is extrapolated for a total of five years. The annual growth rate used for extrapolating revenue forecasts was 3.8% and for direct costs was 3.0%.

A Gordon growth model was applied to estimate the terminal value based on a long-term growth rate of 3.0% and is based on both economic and industry growth outlooks. The pre-tax discount rate used to measure the value in use of the cash generating unit was 18.4% which reflects specific risks relating to the CGU and is based on risk adjusted weighted average cost of capital.

The goodwill impairment assessment date of 30th April 2021 was different to the current reporting date. The performance of the CGU is reviewed for the period between the assessment date and the reporting date to determine whether any changes in circumstances or impairment indicators have occurred since the assessment date. Following our review, it was determined that there were no changes in circumstances or impairment indicators that would require the CGU to be impaired at the reporting date.

The recoverable amount of the CGU is expected to exceed the carrying amount of the CGU at 30th April 2021 by £6,745,000.

Sensitivity analysis was applied to the key assumptions to measure the impact on the headroom in existence under the current impairment review. The areas where the sensitivity analysis was tested against related to discounts rated used, movements in FuM, and impact on margins.

Following the sensitivity review, the recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	2021	
	From	To
Pre-tax discount rate	18.4%	19.6%
Average FuM growth rate (%)	5.2%	3.7%
Average EBIT margin	65.4%	60.9%

The Directors and management have considered and assessed possible changes to other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

Based on the recoverable amount, using the value in use model, no impairment was required at 30th June 2021.

13. OTHER FINANCIAL ASSETS (NON-CURRENT)

	30th June 2021			30th June 2020		
Group	Unlisted investments £	Listed investments £	Total £	Unlisted investments £	Listed investments £	Total £
At start of period	1,781,741	2,212,986	3,994,727	44,475	7,655,016	7,699,491
Additions	715	–	715	1,218	–	1,218
Disposals	–	–	–	–	(274,625)	(274,625)
Fair value gains/(losses)[1]	92,310	285,733	378,043	106,839	(770,677)	(663,838)
Deconsolidation of EM REIT fund	–	–	–	1,629,209	(1,629,209)	–
Deconsolidation of NCI	–	–	–	–	(2,767,519)	(2,767,519)
At close of period	1,874,766	2,498,719	4,373,485	1,781,741	2,212,986	3,994,727

1) Differences to unrealised gain/(loss) on investments shown in note 7 are on account of net assets (cash, receivable and payables) of consolidated REIT funds being included within the respective balance sheet line and the impact of currency translation on unlisted investments.

13. OTHER FINANCIAL ASSETS (NON-CURRENT) CONTINUED

Company	30th June 2021 Unlisted investments £	30th June 2021 Investment in subsidiary undertakings £	30th June 2021 Total £	30th June 2020 Unlisted investments £	30th June 2020 Investment in subsidiary undertakings £	30th June 2020 Total £
At start of period	1,781,732	3,243,650	5,025,382	44,475	5,124,087	5,168,562
Acquired on acquisition (note 6)	–	101,887,540	101,887,540	–	–	–
Additions	724	53,100	53,824	1,218	112,812	114,030
Disposals	–	(96,916)	(96,916)	–	(33,080)	(33,080)
Fair value gains/(losses)	92,310	–	92,310	(224,130)	–	(224,130)
Reclassification of EM REIT investment	–	–	–	1,960,169	(1,960,169)	–
	1,874,766	105,087,374	106,962,140	1,781,732	3,243,650	5,025,382

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 Share-based payments.

All Group companies are listed in note 1.4 on page 100.

14. DEFERRED TAX ASSET

Group	Share-based payments £	Other £	Total £
At 30th June 2019	380,234	–	380,234
Credited to income	47,183	–	47,183
Charged to equity	(79,409)	–	(79,409)
At 30th June 2020	348,008	–	348,008
(Charged)/credited to income	(74,044)	27,236	(46,808)
Credited to equity	65,205	–	65,205
At 30th June 2021	339,169	27,236	366,405

Company	Share-based payments £	Other £	Total £
At 30th June 2019	27,021	–	27,021
Credited to income	12,600	–	12,600
Charged to equity	(27,021)	–	(27,021)
At 30th June 2020	12,600	–	12,600
Charged to equity	(3,142)	–	(3,142)
At 30th June 2021	9,458	–	9,458

15. TRADE AND OTHER RECEIVABLES

	Group 30th June 2021 £	Group 30th June 2020 £	Company 30th June 2021 £	Company 30th June 2020 £
Trade receivables	110,293	74,283	–	–
Accrued income	5,618,878	4,598,493	–	–
Amounts owed by Group undertakings	–	–	6,239,676	10,631,852
Other receivables	142,560	768,564	82,787	689,167
Prepayments	1,081,739	692,538	339,803	290,141
	6,953,470	6,133,878	6,662,266	11,611,160

NOTES TO THE FINANCIAL STATEMENTS

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16. TRADE AND OTHER PAYABLES

	Group		Company	
	30th June 2021 £	30th June 2020 £	30th June 2021 £	30th June 2020 £
Trade payables	98,486	1,743	–	–
Sundry payables	92,565	33,833	151	512
Amounts owed to Group undertakings	–	–	261,503	2,848,418
Other taxation and social security	150,363	153,880	131,442	106,972
Accruals and deferred income	7,919,183	5,455,179	2,888,020	2,517,360
	8,260,597	5,644,635	3,281,116	5,473,262

17. LEASE LIABILITIES AND COMMITMENTS

	Group		Company	
a) Lease liabilities	30th June 2021 £	30th June 2020 £	30th June 2021 £	30th June 2020 £
Lease liabilities				
Current	392,954	406,179	131,180	168,367
Non-current	2,348,101	1,552,219	1,148,549	1,279,729
	2,741,055	1,958,398	1,279,729	1,448,096

	Group		Company	
b) Lease maturities	Present value of minimum lease payments £	Undiscounted minimum lease payments £	Present value of minimum lease payments £	Undiscounted minimum lease payments £
Within one year	392,954	539,587	131,180	218,293
In the second and fifth year inclusive	1,129,825	1,454,514	620,838	780,319
After five years	1,218,276	1,262,241	527,711	483,194
	2,741,055	3,256,342	1,279,729	1,481,806

The total cash outflow in respect of lease liabilities for the period to 30th June 2021 was £620,507 (2020: £420,529).

c) Liabilities from financing activities	Group £	Company £
Net debt as at 1st July 2019	2,153,478	1,626,821
Cash flows	(303,243)	(178,725)
New lease	97,526	–
Currency translations	10,637	–
Net debt as at 30th June 2020	1,958,398	1,448,096
Cash flows	(486,680)	(168,367)
New and modified leases	1,326,857	–
Currency translations	(57,520)	–
Net debt as at 30th June 2021	2,741,055	1,279,729

18. DEFERRED TAX LIABILITY

Group	Right-of-use assets £	Intangible assets £	Other financial assets £	Total £
At 30th June 2019	–	–	116,441	116,441
Credited to income	–	–	(85,421)	(85,421)
Charged to equity	26,854	–	–	26,854
At 30th June 2020	26,854	–	31,020	57,874
Arising upon acquisition	–	9,985,920	–	9,985,920
(Credited)/charged to income	(5,934)	(780,045)	45,357	(740,622)
Credited to equity	–	(606,359)	–	(606,359)
At 30th June 2021	20,920	8,599,516	76,377	8,696,813

Company	Right-of-use assets £	Intangible assets £	Other financial assets £	Total £
At 30th June 2019	–	–	3,221	3,221
Charged to equity	26,854	–	–	26,854
At 30th June 2020	26,854	–	3,221	30,075
Credited to income	(5,934)	–	–	(5,934)
At 30th June 2021	20,920	–	3,221	24,141

19. SHARE CAPITAL AND MERGER RELIEF RESERVE

Group and Company	Share capital £	Merger relief reserve £
Allotted, called up and fully paid		
At start of period 26,560,707 ordinary shares of 1p each	265,607	–
New issue of 24,118,388 ordinary shares of 1p each upon merger with KIM	241,184	101,538,413
At end of period 50,679,095 ordinary shares of 1p each	506,791	101,538,413

Merger relief reserve has been created as the issue of ordinary shares on 1st October 2020 by the Company upon the merger with KIM meets the requirements of merger relief under Companies Act 2006 (see note 6 for details of the business combination).

20. RESERVES

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

Merger relief reserve – created on the business combination (see notes 6 & 19).

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

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 currency differences 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.

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21. DIVIDEND

	30th June 2021 £	30th June 2020 £
Dividends paid:		
Interim dividend of 11p per share (2020: 10p)	4,762,818	2,488,116
Final dividend in respect of year ended:		
30th June 2020 of 20p per share (2019: 18p)	4,980,306	4,504,979
	9,743,124	6,993,095

A final dividend of 22p per share (gross amount payable £11,149,401; net amount payable £9,472,835*) has been proposed, payable on 29th October 2021, subject to shareholder approval, to shareholders who are on the register of members on 8th October 2021.

* Difference between gross and net amounts is on account of shares held at EBT that do not receive dividend and 25% waived dividend on new shares issued upon merger in accordance with the lockup deed.

22. SHARE-BASED PAYMENTS

(a) The estimated fair value of options which fall under IFRS 2, and the inputs used in the Black-Scholes model to calculate those values at fair value, are as follows:

Date of grant	Expiry date	Expected life (yrs)	Risk-free rate	Share price at grant (£)	Exercise price (£)	Volatility	Dividend yield	Estimated Fair value (£)	Number originally granted
16/03/2021	16/03/2031	6.50	0.5264%	5.0400	5.0400	35.9225%	6.19%	0.8111	154,000

The expected life of the option has been assumed to be six-and-a-half years based upon the empirical evidence available.

The risk-free rate has been assumed to be represented by the yield to maturity at the date of grant of a UK Gilt Strip, with term to maturity equal to the expected life of the option.

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

	Year to 30th June 2021		Year to 30th June 2020	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at the beginning of the period	521,875	3.47	630,750	3.44
Granted during the period	154,000	5.04	–	–
Forfeited during the period	43,250	3.60	–	–
Exercised during the period	226,875	3.66	108,875	3.30
Outstanding at the end of the period	405,750	3.94	521,875	3.47
Exercisable at the end of the period	251,750	3.27	521,875	3.47
The weighted average share price at the date of exercise for share options exercised during the period was		4.92		4.14

The total share-based payment credit for the period is £12,023 (2020: nil). For outstanding share options, the exercise price ranged between £2.55 and £5.04 (2020: between £2.55 and £4.03), and their weighted average contractual life was 5.3 years (2020: 2.9 years).

22. SHARE-BASED PAYMENTS CONTINUED

(c) 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 profit-share 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 profit-share 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 re-calculated 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.

	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	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'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 granted October 2019															
Bonus Shares tranche 1	Oct-20	212	215	–	–	91	94	30	–	–	–	–	–	–	215
Bonus Shares tranche 2	Oct-21	212	214	–	–	63	65	65	21	–	–	–	–	–	214
Bonus Shares tranche 3	Oct-22	212	215	–	–	49	50	50	50	16	–	–	–	–	215
		636	644	–	–	203	209	145	71	16	–	–	–	–	644
Awards granted October 2020															
Bonus Shares tranche 1	Oct-21	242	241	–	–	–	103	103	35	–	–	–	–	–	241
Bonus Shares tranche 2	Oct-22	242	240	–	–	–	72	72	72	24	–	–	–	–	240
Bonus Shares tranche 3	Oct-23	242	240	–	–	–	55	55	56	56	18	–	–	–	240
		726	721	–	–	–	230	230	163	80	18	–	–	–	721
Awards expected to be granted October 2021															
Bonus Shares tranche 1	Oct-22	289	–	–	–	–	–	121	126	42	–	–	–	–	289
Bonus Shares tranche 2	Oct-23	289	–	–	–	–	–	84	88	88	29	–	–	–	289
Bonus Shares tranche 3	Oct-24	289	–	–	–	–	–	64	68	68	67	22	–	–	289
Bonus Shares tranche 4	Oct-25	33	–	–	–	–	–	6	6	6	7	6	2	–	33
Bonus Shares tranche 5	Oct-26	33	–	–	–	–	–	6	5	5	5	5	5	2	33
		933	–	–	–	–	–	281	293	209	108	33	7	2	933
Total share-based payment charge				102	504	607	693	760	547	305	126	33	7	2	3,686

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

23. RESTATEMENT OF COMPARATIVE CASH FLOW INFORMATION

The FRC's corporate reporting review of the Group's Annual Report and Accounts to 30th June 2020 highlighted that IAS 7 Statement of cash flows paragraph 16 prevents items being classified as investing activities unless a corresponding asset is also capitalised.

As a result of this review, the comparative Consolidated and Company cash flow statement has been restated. Cash outflows related to acquisition-related costs of £1,248,195 have now been presented within cash flows from operating activities as opposed to cash flows from investing activities in the Consolidated and Company cash flow statement.

Net cash generated from operating activities in 2020 has decreased by £1,248,195 from £10,806,907 to £9,558,712 and net cash used in investing activities has decreased by £1,248,195 from cash used in of £1,203,755 to cash generated of £44,440.

	Previously reported £	Restatement £	Restated £
Cash flow statement line item			
Net cash generated from operating activities	10,806,907	(1,248,195)	9,558,712
Acquisition-related costs	(1,248,195)	–	(1,248,195)
Net cash (used in)/generated by investing activities	(1,203,755)	1,248,195	44,440

The FRC's enquiries regarding this matter are now complete. It must be noted that the FRC's review is limited to the published 2020 Annual Report and Accounts; it does not benefit from a detailed understanding of underlying transactions and provides no assurance that the Annual Report and Accounts are correct in all material respects. Further details are provided within the Audit & Risk Committee report.

24. 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) Transactions with key management personnel

Key management personnel are defined as Directors (both Executive and Non-Executive) of City of London Investment Group PLC.

(a) Details of compensation paid to the Directors as well as their shareholdings in the Group is provided in the Remuneration report on pages 69 and 77 and in note 4.

(b) One of the Group's subsidiaries manages funds for some of its key management personnel, for which it receives a fee. All transactions between key management and their close family members and the Group's subsidiary are on terms that are available to all employees of that company. The amount received in fees during the nine-month period from the date of merger was £39,300. There were no fees outstanding as at the year end.

(ii) Summary of transactions and balances

During the period, the Company received from its subsidiaries £11,154,306 (2020: £9,475,698) in respect of management service charges and dividends of £12,200,000 (2020: £8,800,000).

Amounts outstanding between the Company and its subsidiaries as at 30th June 2021 are given in notes 15 and 16.

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 £1,092,575 (2020: £871,709), with £117,128 (2020: £81,757) outstanding at the year end.

25. FINANCIAL INSTRUMENTS

The Group's financial assets include cash and cash equivalents, investments and other receivables. Its financial liabilities include accruals, lease liabilities 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 Financial Instruments:

Group

30th June 2021 Assets as per statement of financial position	Financial assets at amortised cost £	Assets at fair value through profit or loss £	Total £
Other non-current financial assets	–	4,373,485	4,373,485
Trade and other receivables	5,871,731	–	5,871,731
Cash and cash equivalents	25,514,619	–	25,514,619
Total	31,386,350	4,373,485	35,759,835

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	8,040,676	69,558	8,110,234
Current lease liabilities	392,954	–	392,954
Non-current lease liabilities	2,348,101	–	2,348,101
Total	10,781,731	69,558	10,851,289

30th June 2020 Assets as per statement of financial position	Financial assets at amortised cost £	Assets at fair value through profit or loss £	Total £
Other non-current financial assets	–	3,994,727	3,994,727
Trade and other receivables	5,441,340	–	5,441,340
Cash and cash equivalents	14,594,333	–	14,594,333
Total	20,035,673	3,994,727	24,030,400

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	5,472,692	18,063	5,490,755
Current lease liabilities	406,179	–	406,179
Non-current lease liabilities	1,552,219	–	1,552,219
Total	7,431,090	18,063	7,449,153

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

25. FINANCIAL INSTRUMENTS CONTINUED

Company

30th June 2021

Assets as per statement of financial position	Investment in subsidiaries £	Financial assets at amortised cost £	Assets at fair value through profit or loss £	Total £
Other non-current financial assets	103,127,205	1,960,169	1,874,766	106,962,140
Trade and other receivables	–	6,322,463	–	6,322,463
Cash and cash equivalents	–	2,905,184	–	2,905,184
Total	103,127,205	11,187,816	1,874,766	116,189,787

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	3,149,674	–	3,149,674
Current lease liabilities	131,180	–	131,180
Non-current lease liabilities	1,148,549	–	1,148,549
Total	4,429,403	–	4,429,403

30th June 2020

Assets as per statement of financial position	Investment in subsidiaries £	Financial assets at amortised cost £	Assets at fair value through profit or loss £	Total £
Other non-current financial assets	1,283,481	1,960,169	1,781,732	5,025,382
Trade and other receivables	–	11,321,019	–	11,321,019
Cash and cash equivalents	–	213,510	–	213,510
Total	1,283,481	13,494,698	1,781,732	16,559,911

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	5,366,290	–	5,366,290
Current lease liabilities	168,367	–	168,367
Non-current lease liabilities	1,279,729	–	1,279,729
Total	6,814,386	–	6,814,386

(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.

25. 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.
- Unlisted equity securities are valued using the net assets of the underlying companies and are shown under level 3.

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 2021	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other non-current financial assets	2,498,719	1,874,766	–	4,373,485
Total	2,498,719	1,874,766	–	4,373,485
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	69,558	–	69,558
Total	–	69,558	–	69,558

30th June 2020	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other non-current financial assets	2,212,986	1,781,741	–	3,994,727
Total	2,212,986	1,781,741	–	3,994,727
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	18,063	–	18,063
Total	–	18,063	–	18,063

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

25. FINANCIAL INSTRUMENTS CONTINUED

Company

30th June 2021	Level 1 £	Level 2 £	Level 3 £	Total £
Investment in own funds	–	1,874,766	–	1,874,766
Total	–	1,874,766	–	1,874,766

30th June 2020	Level 1 £	Level 2 £	Level 3 £	Total £
Investment in own funds	–	1,781,741	–	1,781,741
Total	–	1,781,741	–	1,781,741

Level 3

Level 3 assets as at 30th June 2021 are nil (2020: nil).

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 £60,607 (2020: net profit £29,935).

(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.

As at 30th June 2021, the Group had net asset balances of US$9,211,328 (2020: US$6,820,219), offset by forward sales totalling US$8,300,000 (2020: US$5,000,000). Other significant net asset balances were C$648,301 (2020: C$503,545), AED291,521 (2020: net liabilities AED110,217), and SGD1,924,212 (2020: SGD176,699).

Had the US dollar strengthened or weakened against sterling as at 30th June 2021 by 10%, with all other variables held constant, the Group's net assets would have increased or decreased (respectively) by less than 2%, because the US dollar position is hedged by the forward sales.

25. FINANCIAL INSTRUMENTS CONTINUED

(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 result in an increase or decrease of approximately £0.2 million in the value of the investments and profit before tax.

The Group's International REIT fund has been consolidated as a controlled entity, and therefore the securities held by the fund are reported in the consolidated statement of financial position under investments. At 30th June 2021, 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 £0.2 million, of which 93% would be attributable to the Group and 7% to the non-controlling interest.

The Group is also exposed to market risk indirectly via its Funds 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 profit from hedging recognised in the Group income statement for the period is £nil (2020: loss £1,287).

(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 and US 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 2021, the Group held £25,514,619 (2020: £14,594,333) in cash balances, of which £23,911,707 (2020: £14,170,849) 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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

25. 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 operating subsidiary company in the UK, 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.

26. POST BALANCE SHEET EVENTS

There have been no material events occurring between the balance sheet date and the date of signing this report.

SHAREHOLDER INFORMATION

Contents

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the AGM of the Company will be held on 18th October 2021 at The NED, 27 Poultry, London EC2R 8AJ at 11:30am (Greenwich Mean Time) to consider and, if thought appropriate, pass the following resolutions of which resolutions 1 to 17 will be proposed as ordinary resolutions and resolutions 18 to 22 will be proposed as special resolutions.

COVID-19 – Attendance and voting

At the time of writing this Notice of AGM, pandemic-related restrictions on indoor gatherings have largely been lifted in the United Kingdom. We are therefore pleased to welcome shareholders to attend the AGM in person; however, we require that shareholders advise the Company of their planned attendance at least 48 hours in advance of the meeting by email to **Investorrelations@citlon.co.uk**. In the instance that circumstances are to change ahead of the AGM and restrictions are imposed, any such communication will not provide a guarantee of admittance to the AGM where to do so would be in breach of laws and official guidelines governing public gatherings and/or the need to protect the health and safety of those already in the meeting.

Should COVID-19 restrictions change before the AGM, we will seek to adapt arrangements as necessary, within safety constraints and in accordance with the law and government guidelines. Our website, **www.clig.com**, contains the latest information for shareholders and will be updated before the AGM should there be any changes to the arrangements set out above. Where appropriate, we will notify shareholders of any change via a Regulatory Information Service announcement as early as is possible before the date of the meeting.

In addition to attending and partaking in voting by way of poll, shareholders are always able to exercise their votes by submitting their proxy electronically. These must be received by no later than 11:30am on 14th October 2021. **Shareholders who wish to appoint a proxy are recommended to appoint the Chair of the meeting as their proxy.** In the instance that restrictions on attendance in person are in place at the time of the AGM, if a shareholder appoints someone else as their proxy, that proxy may not be able to attend the meeting in order to cast the shareholder's vote.

Your votes matter. Proxy instructions are set out below.

Voting

We no longer post hard copy Proxy Forms in order to save paper, and encourage shareholders to vote online by logging on to **www.signalshares.com** and following the instructions given. CREST members may also use the CREST electronic proxy appointment service to submit their proxy appointment in respect of the AGM. Full details regarding voting can be found in the Further Notes to the Notice of the AGM on pages 136 to 137.

Please note that all Proxy Forms and appointments must be received by 11:30am on 14th October 2021.

Voting on the business of the meeting will be conducted by way of a poll. The results of voting on the resolutions will be posted on the Company's website as soon as practicable after the AGM.

Ordinary Resolutions

Reports and Accounts

1. To receive the Directors' report and the accounts of the Company for the year ended 30th June 2021.

Directors' remuneration report

2. To approve the Directors' remuneration report for the year ended 30th June 2021, set out on pages 63 to 83 of the Annual Report and Accounts for the year ended 30th June 2021.

Dividend

3. To declare a final dividend of 22p per Ordinary Share of 1p each in the Company (Ordinary Share) for the year ended 30th June 2021, payable on 29th October 2021 to members on the register as at 8th October 2021.

Directors

4. To appoint Rian Dartnell as a Director.
5. To appoint Tazim Essani as a Director.
6. To appoint George Karpus as a Director.
7. To appoint Daniel Lippincott as a Director.
8. To re-appoint Barry Aling as a Director.

9. To re-appoint Mark Dwyer as a Director.

10. To re-appoint Thomas Griffith as a Director.

11. To re-appoint Barry Olliff as a Director.

12. To re-appoint Peter Roth as a Director.

13. To re-appoint Jane Stabile as a Director.

14. To re-appoint Carlos Yuste as a Director.

Auditors

15. To re-appoint RSM UK Audit LLP as auditors of the Company, to hold office from the conclusion of this AGM until the conclusion of the next AGM at which accounts are laid before the Company.

16. To authorise the Audit & Risk Committee of the Company to fix the remuneration of the auditors.

Directors' authority to allot shares

17. To generally and unconditionally authorise the Directors, pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 2006 Act), to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares in the Company:

    (a) up to an aggregate nominal amount of £168,930; and

    (b) comprising equity securities (as defined in Section 560(1) of the 2006 Act) up to a further aggregate nominal amount of £168,930 in connection with an offer by way of a rights issue;

    such authorities to apply in substitution for all previous authorities pursuant to Section 551 of the 2006 Act and to expire at the end of the next Annual General Meeting or on 31st October 2022, whichever is the earlier, but in each case so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority ends.

    For the purposes of this resolution, 'rights issue' means an offer to:

    (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    (ii) holders of other equity securities, if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities, to subscribe for further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

Special Resolutions

Employee benefit trust

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

Disapplication of pre-emption rights

19. That, if resolution 17 is passed, the Directors be authorised to allot equity securities (as defined in the 2006 Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the 2006 Act did not apply to any such allotment or sale, such authority to be limited:

    (a) to allotments for rights issues and other pre-emptive issues; and

    (b) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £25,339:

    such authority to expire at the end of the next AGM of the Company or, if earlier, at the close of business on 31st October 2022 but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

20. That, if resolution 17 is passed, the Directors be authorised, in addition to any authority granted under resolution 19, to allot equity securities (as defined in the 2006 Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash, as if section 561 of the 2006 Act did not apply to any such allotment or sale, such authority to be:

    (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £25,339; and

    (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-emption Group prior to the date of this Notice of AGM,

    such authority to expire at the end of the next AGM of the Company or, if earlier, at the close of business on 31st October 2022 but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Authority to purchase own shares

21. To unconditionally and generally authorise the Company for the purpose of Section 701 of the 2006 Act to make market purchases (as defined in Section 693(4) of the 2006 Act) of ordinary shares, provided that:

    (a) the maximum number of ordinary shares that may be purchased is 5,067,910;

    (b) the minimum price that may be paid for each ordinary share is £0.01;

    (c) the maximum price that may be paid for an ordinary share is an amount equal to the higher of (i) 105% of the average of the closing price of the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such ordinary share is contracted to be purchased, and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; and

    (d) this authority shall expire at the conclusion of the Company's next AGM or, if earlier, 31st October 2022 (except in relation to the purchase of ordinary shares, the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry), unless such authority is renewed prior to such time.

Notice of general meetings

22. To authorise the Directors to call a general meeting, other than an Annual General Meeting, on not less than 14 clear days' notice.

By order of the Board

Prism Cosec Limited
Company Secretary

9th September 2021

Registered in England and Wales No. 02685257
Registered Office: 77 Gracechurch Street, London EC3V 0AS

EXPLANATORY NOTES TO THE NOTICE OF AGM

The notes on the following pages give an explanation of the proposed resolutions

Resolutions 1 to 17 are proposed as ordinary resolutions. For each of these resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 18 to 22 are proposed as special resolutions. For each of these resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1: Report and Accounts

The first item of business is the receipt by the shareholders of the Directors' report and the accounts of the Company for the year ended 30th June 2021. The Directors' report, the accounts, and the Report of the Company's auditors on the accounts and on those parts of the Directors' remuneration report that are capable of being audited, are contained within the 2021 Annual Report.

Resolution 2: Directors' remuneration report

Resolution 2 seeks shareholder approval of the Directors' remuneration report for the year ended 30th June 2021, which is set out on pages 63 to 83 of the 2021 Annual Report. The Company's auditors, RSM UK Audit LLP, have audited those parts of the Directors' remuneration report that are required to be audited and their report may be found on pages 88 to 93 of the 2021 Annual Report. The vote on this resolution is advisory in nature and Directors' remuneration is not conditional on the passing of this resolution.

Resolution 3: Dividend

Resolution 3 seeks approval for a final dividend of 22p per ordinary share for the year ended 30th June 2021 (Final Dividend). If approved by shareholders, the Final Dividend will be paid on 29th October 2021 to all shareholders on the register at the close of business on 8th October 2021.

Resolutions 4 to 14: Appointment and re-appointment of Directors

The Company's Articles of Association (Articles) require all Directors to stand for re-appointment at each AGM, and for Directors appointed since the date of the Company's last AGM to retire at the next AGM following their appointment. Accordingly, and in line with the Articles and provision 18 of the UK Corporate Governance Code, all the remaining Directors are submitting themselves for appointment (in the case of Rian Dartnell, Tazim Essani, George Karpus and Daniel Lippincott, who have been appointed to the Board since the AGM in 2020) or re-appointment by shareholders.

The Board carries out a review of the independence of its Directors on an annual basis. In considering the independence of the Independent Non-Executive Directors proposed for re-appointment, the Board has taken into consideration the guidance provided by the UK Corporate Governance Code. Accordingly, the Board considers Barry Aling, Rian Dartnell, Tazim Essani, Peter Roth and Jane Stabile to be independent (the Independent Directors).

All Directors will continue to submit themselves for annual re-appointment by shareholders in accordance with the Articles and the UK Corporate Governance Code. Barry Aling has served as Chair of the Board for 8 years at the date of publication of this Notice of AGM. The Company notes that Barry Aling will soon be approaching a tenure of 9 years and will publish further details with regards to his re-election in the next Notice of AGM.

On 1st October 2020, the Company completed its merger with Karpus Management Inc. (KIM). Pursuant to the merger, the KIM stockholders received shares in the Company capable of being voted at meetings of the shareholders of the Company. Due to familial relationships, certain of the KIM stockholders are regarded as controlling shareholders and form part of a Controlling Shareholder Group holding, in aggregate, 19,145,215 shares, being 37.8% of the Company's issued share capital, and consisting of: George W. Karpus, Karin Popham Anello, Katie Popham McCormick, William Popham, Alana Heahl, Nicholas Kuszlyk, Douglas Kuszlyk, Barbara Kuszlyk, Donald Heahl, Deborah Haehl, Alexandria Haehl, Dianna Kuszlyk and Rodd Riesenberger (the 'Controlling Shareholder Group').

Under the Listing Rules, because the Controlling Shareholder Group together control in concert more than 30% of the voting rights of the Company (even though they have agreed to limit their voting rights as noted in note 20 of Further Notes to this Notice of AGM), the appointment or re-appointment of any Independent Director by shareholders must be approved by a majority vote of both:

(i) the shareholders of the Company; and

(ii) the independent shareholders of the Company (that is the shareholders of the Company entitled to vote on the election of Directors who are not part of the Controlling Shareholder Group).

Resolutions 4, 5, 8, 12 and 13 are therefore being proposed as ordinary resolutions which all shareholders may vote on, but in addition the Company will separately count the number of votes cast by independent shareholders in favour of the resolution (as a proportion of the total votes of independent shareholders cast on the resolution) to determine whether the second threshold referred to in (ii) above has been met. The Company will announce the results of the resolutions on this basis as well as announcing the results of the ordinary resolutions of all shareholders.

Under the Listing Rules, if a resolution to appoint or re-appoint an Independent Director is not approved by a majority vote of both the shareholders as a whole and the independent shareholders of the Company at the AGM, a further resolution may be put forward to be approved by the shareholders as a whole at a meeting which must be held more than 90 days after the date of the first vote but within 120 days of the first vote. Accordingly, if any of resolutions 4, 5, 8, 12 and 13 are not

EXPLANATORY NOTES TO THE NOTICE OF AGM

CONTINUED

approved by a majority vote of the Company's independent shareholders at the AGM, the relevant Director(s) will be treated as having been appointed or re-appointed only for the period from the date of the AGM until the earlier of: (i) the close of any general meeting of the Company, convened for a date more than 90 days after the AGM but within 120 days of the AGM, to propose a further resolution to appoint or re-appoint him or her; (ii) the date that is 120 days after the AGM; and (iii) the date of any announcement by the Board that it does not intend to hold a second vote.

In the event that the Director's appointment or re-appointment is approved by a majority vote of all shareholders at a second meeting, the Director will then be appointed or re-appointed until the next AGM. The Company is also required to provide details of:

(i) any previous or existing relationship, transaction or arrangement between an Independent Director and the Company, its Directors, any controlling shareholder or any associate of a controlling shareholder;

(ii) why the Company considers the proposed Independent Director will be an effective Director;

(iii) how the Company has determined that the proposed Director is an Independent Director; and

(iv) the process by which the Company has selected each Independent Director.

This is set out below:

Previous/existing relationships: The Company has received confirmation from each of the Independent Directors that, except as disclosed below, there is no existing or previous relationship, transaction or arrangement that the Independent Directors have or have had with the Company, its Directors, any controlling shareholder or any associate of a controlling shareholder.

Effectiveness: Biographical details of each of the Directors, who are all seeking election or re-election, appear on pages 42 to 45 of this document. The biographical details also set out each Independent Director's experience. The Board considers, following a formal Board performance evaluation, that each Director seeking re-appointment continues to contribute effectively and to demonstrate commitment to his or her role. This consideration of effectiveness is based on, amongst other things, the business skills, industry experience, business model experiences and other contributions individuals may make (including diversity considerations), both as an individual and also in contributing to the balance of skills, knowledge and capability of the Board as a whole, as well as the commitment of time for Board and Committee meetings and other duties.

Independence: As previously stated, each Independent Director's independence was determined by reference to the relevant provisions of the 2018 UK Corporate Governance Code. The Board also considers that each of the Independent Directors is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

Selection: For the selection of Independent Director's, recruitment consultants are engaged to assist in conducting a thorough search to identify suitable candidates. The selection process involves, amongst other things, giving the recruitment consultants a detailed brief of the desired candidate profile against objective criteria and a rigorous process of interviews and assessments is then carried out. The Nomination Committee is responsible in each case for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies.

Resolution 15: Re-appointment of auditors

The auditors of a company must be appointed or re-appointed at each general meeting at which the accounts are laid. Resolution 15 proposes, on the recommendation of the Audit & Risk Committee, the re-appointment of RSM UK Audit LLP as the Company's auditors, until the conclusion of the next general meeting of the Company at which accounts are laid.

Resolution 16: Remuneration of auditors

This resolution seeks shareholder consent for the Audit & Risk Committee of the Company to set the remuneration of the auditors.

Resolution 17: Directors' authority to allot

The purpose of resolution 17 is to renew the Directors' power to allot shares. The authority in paragraph (a) will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to approximately one-third (33.33%) of the total issued ordinary share capital of the Company (exclusive of treasury shares) which, as at 9th September 2021, being the Latest Practicable Date prior to publication of this Notice of AGM (Latest Practicable Date), is equivalent to a nominal value of £168,930.

The authority in paragraph (b) will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares only in connection with a rights issue up to a further nominal value of £168,930, which is equivalent to approximately one-third (33.3%) of the total issued ordinary share capital of the Company (exclusive of treasury shares) as at the Latest Practicable Date. The Company currently holds no shares in treasury.

There are no present plans to undertake a rights issue, or to allot new shares. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise.

If the resolution is passed, the authority will expire on the earlier of 31st October 2022 or the end of the AGM in 2022.

Resolution 18: Employee Benefit Trust (EBT)

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 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 employees 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.

Resolutions 19 and 20: Disapplication of pre-emption rights

If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme), Company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

Resolution 19 deals with the authority of the Directors to allot new shares or other equity securities pursuant to the authority given by resolution 17, or sell treasury shares, for cash without the shares or other equity securities first being offered to shareholders in proportion to their existing holdings. Such authority shall only be used in connection with a pre-emptive offer or, otherwise, up to an aggregate nominal amount of £25,339, being approximately 5% of the total issued ordinary share capital of the Company as at the Latest Practicable Date. The Company does not hold any treasury shares as at the Latest Practicable Date.

The Pre-emption Group Statement of Principles supports the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities (and sales of treasury shares for cash) representing no more than an additional 5% of issued ordinary share capital (exclusive of treasury shares), to be used only in connection with an acquisition or specified capital investment. The Pre-emption Group's Statement of Principles defines 'specified capital investment' as meaning one or more specific capital investment related uses for the proceeds of an issuance of equity securities, in respect of which sufficient information regarding the effect of the transaction on the company, the assets the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, and in line with the template resolutions published by the Pre-emption Group, resolution 20 seeks to authorise the Directors to allot new shares and other equity securities pursuant to the authority given by resolution 17, or sell treasury shares, for cash up to a further nominal amount of £25,339, being approximately 5% of the total issued Ordinary Share capital of the Company as at the Latest Practicable Date, only in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

If the authority given in resolution 20 is used, the Company will publish details of the placing in its next annual report.

If these resolutions are passed, the authorities will expire at the end of the next AGM, or on 31st October 2022, whichever is the earlier.

The Board considers the authorities in resolutions 19 and 20 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a rights issue or other pre-emptive offer without the need to comply with the strict requirements of the statutory pre-emption provisions.

The Board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles not to allot shares for cash on a non-pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company within a rolling three-year period other than: (i) after prior consultation with shareholders; or (ii) in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

EXPLANATORY NOTES TO THE NOTICE OF AGM

CONTINUED

Resolution 21: Purchase of own shares

The effect of resolution 21 is to grant authority to the Company to purchase its own ordinary shares, up to a maximum of 5,067,910 ordinary shares, until the AGM in 2022 or 31st October 2022, whichever is the earlier. This represents 10% of the Company's ordinary share capital in issue (excluding shares held in treasury) as at the Latest Practicable Date. The Company's exercise of this authority is subject to the stated upper and lower limits on the price payable.

Pursuant to the 2006 Act, the Company can hold any shares which are repurchased as treasury shares and either re-sell them for cash, cancel them, either immediately or at a point in the future, or use them for the purposes of its employee share schemes. Holding the repurchased shares as treasury shares will give the Company the ability to re-sell or transfer them in the future and will provide the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares. Shares held as treasury shares will not automatically be cancelled and will not be taken into account in future calculations of earnings per share (unless they are subsequently re-sold or transferred out of treasury).

The Directors consider it desirable and in the Company's interests for shareholders to grant this authority. The Directors have no present intention to exercise this authority and will only do so if and when conditions are favourable with a view to enhancing net asset value per share.

The Company will not, save in accordance with a predetermined, irrevocable and non-discretionary programme, repurchase shares in the period immediately preceding the preliminary announcement of its annual or interim results as dictated by the Listing Rules or Market Abuse Regulation (as applicable in the UK) (UK MAR) or, if shorter, between the end of the financial period concerned and the time of a relevant announcement or, except in accordance with the Listing Rules and UK MAR, at any other time when the Directors would be prohibited from dealing in shares.

Options to subscribe for a total of 154,000 shares, being 0.3% of the issued ordinary share capital (excluding treasury shares), were outstanding at the Latest Practicable Date. If the authority being sought under resolution 21 were to be fully used, this would represent 0.3% of the Company's issued ordinary share capital (excluding treasury shares) at the Latest Practicable Date.

Resolution 22: Notice of general meetings

Under the 2006 Act, as amended, the notice period required for all general meetings of the Company is 21 days, although shareholders can approve a shorter notice period for general meetings that are not Annual General Meetings, which cannot however be less than 14 clear days. Annual General Meetings will continue to be held on at least 21 clear days' notice. The shorter notice period for which shareholder approval is sought under resolution 22 would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. In the event that a general meeting is called on less than 21 days' notice, the Company will meet the requirements for electronic voting under The Companies (Shareholders' Rights) Regulations 2009. Shareholder approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

FURTHER NOTES

Entitlement to attend and vote

1. Only those shareholders registered in the Company's register of members as at close of business on 14th October 2021, or, if this meeting is adjourned, at close of business on the day which is two business days' prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Entry to the AGM, security arrangements and conduct of proceedings

2. If any shareholders or their proxies intend to attend the meeting in person, we require that they advise the Company at least 48 hours in advance of the meeting by email to **Investorrelations@citlon.co.uk**. Any such communication will not provide a guarantee of admittance to the AGM where to do so would be in breach of laws and official guidelines governing public gatherings and/or the need to protect the health and safety of those already in the meeting, in the instance that circumstances change and restrictions are re-introduced.

   Should COVID-19 restrictions change before the AGM, we will seek to adapt arrangements and to welcome shareholders to the AGM, within safety constraints and in accordance with the law and government guidelines. Our website, **www.clig.com**, contains the latest information for shareholders and will be updated before the AGM should there be any changes to the arrangements set out above. Where appropriate, we will notify shareholders of the change via a Regulatory Information Service announcement as early as is possible before the date of the meeting.

Website giving information regarding the meeting

3. A copy of this Notice of AGM and other information regarding the meeting, including the information required by section 311A of the 2006 Act, can be found at **www.clig.com**. Shareholders may not use any electronic address provided in either this Notice of AGM or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

Appointment of proxies

4. Hard copy Proxy Forms are not being issued this year to save paper, however shareholders can request a hard copy directly from the registrar, Link Group, on +44 (0)371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday, excluding public holidays in England and Wales.

5. Although shareholders are entitled to appoint another person as their proxy to exercise all or any of their rights to attend and to speak and vote at the AGM, **shareholders are encouraged to appoint the Chair of the meeting as their proxy as the appointment of any proxy other than the Chair of the meeting could result in your vote not being cast if the proxy is unable to attend the meeting due to pandemic-related restrictions.** A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.

   The appointment of a proxy does not preclude a shareholder from attending and voting in person at the AGM.

6. In the case of joint holders, any one holder may vote. If more than one holder is present at the meeting, only the vote of the senior will be accepted, seniority being determined in the order in which the names appear on the register. A space has been included in the Proxy Form to allow members to specify the number of shares in respect of which that proxy is appointed. Shareholders who return the Proxy Form duly executed but leave this space blank will be deemed to have appointed the proxy in respect of all of their shares. Where appointing multiple proxies, shareholders should indicate on each Proxy Form the name of the proxy they wish to appoint and the number of Ordinary Shares in respect of which the proxy is appointed. All Proxy Forms should be returned together in the same envelope.

   Shareholders can also appoint multiple proxies by logging on to **www.signalshares.com** and completing the online instructions.

7. To appoint a proxy, either: (a) deposit the Proxy Forms, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), with the Company's Registrar, Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL; or (b) lodge the proxy appointment using the CREST Proxy Voting Service in accordance with note 12 below; or (c) lodge online proxies, in accordance with note 10 below, in each case so as to be received no later than 48 hours (excluding non-working days) before the time of the holding of the AGM or any adjournment thereof.

   Please note that all Proxy Forms and appointments, whether postal or electronic, must be received by 11:30am on 14th October 2021.

FURTHER NOTES

CONTINUED

Corporate representatives

8. A corporation that is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises powers over the same share. Under the current circumstances, corporate shareholders are strongly encouraged to complete and return a Proxy Form appointing the Chair of the meeting to ensure their votes are included in the poll.

Nominated persons

9. The right to appoint a proxy does not apply to persons whose 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 2006 Act (Nominated Persons). Nominated Persons may have a right under an agreement with the member who holds the 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 give instructions to the person holding the shares as to the exercise of voting rights.

Voting

10. The website address for online voting is www.signalshares.com. You will need your Shareholder Reference Number to log in and follow the instructions to lodge your votes.

    You can vote either:

    - by logging on to www.signalshares.com and following the instructions;
    - requesting a hard copy form of proxy directly from the registrars, Link Asset Services, on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 - 17:30, Monday to Friday, excluding public holidays in England and Wales; or
    - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

Total voting rights

11. The total number of issued ordinary shares in the Company on the Latest Practicable Date, is 50,679,095. Therefore, the total number of votes exercisable as at the Latest Practicable Date is 50,679,095.

CREST proxy instructions

12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournments thereof) by following the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

13. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in note 7, above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

14. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that their CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

Automatic poll voting

15. Each of the resolutions to be put to the meeting will be voted on by poll and not by show of hands. A poll reflects the number of voting rights exercisable by each member and so the Board considers it a more democratic method of voting. Members and proxies will be asked to complete a poll card to indicate how they wish to cast their votes. These cards will be collected at the end of the meeting. The results of the poll will be published on the Company's website and notified to the London Stock Exchange once the votes have been counted and verified.

Publication of audit concerns

16. Under section 527 of the 2006 Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish, on a website, a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 the 2006 Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

Right to request circulation or resolutions

17. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than the date which is six clear weeks before the AGM, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Questions

18. All shareholders will have the opportunity to ask questions at the AGM.

Documents on display

19. Copies of Directors' service contracts or letters of appointment will be available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) until the date of the AGM.

Controlling Shareholder Group

20. Following completion of the merger with KIM, the Company entered into a relationship agreement with the Controlling Shareholder Group which regulates the ongoing relationship between the Company and the Controlling Shareholder Group. The members of the Controlling Shareholder Group agreed to limit their voting rights at any shareholder meeting, including the Annual General Meeting, to the lower of: (i) the number of shares held by them; and (ii) 24.99% of the votes cast on any resolution by all shareholders.

COMPANY INFORMATION

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Company registration number
2685257

Company Secretary
Prism Cosec Ltd

Financial calendar

Ex-dividend date for the final dividend	7th October 2021
Final dividend record date	8th October 2021
First quarter FuM announcement	14th October 2021
AGM	18th October 2021
Final dividend payment	29th October 2021
Second quarter FuM announcement	19th January 2022
Half year results and interim dividend announcement	21st February 2022
Ex-dividend date for the interim dividend	24th February 2022
Interim dividend record date	25th February 2022
Interim dividend payment	25th March 2022
Third quarter FuM announcement	26th April 2022
Year end	30th June 2022

For further information, please see the shareholders page on our website **www.clig.co.uk**

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