CITY OF LONDON
INVESTMENT GROUP PLC

ANNUAL REPORT & ACCOUNTS 2017/2018

CITY OF LONDON
INVESTMENT GROUP PLC

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

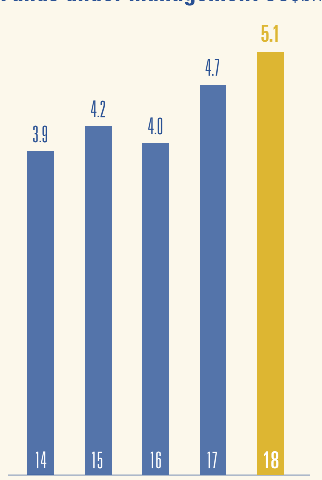
In recent years the Group has expanded its range to include Developed, Frontier and Opportunistic Value closed-end fund strategies.

www.citlon.co.uk

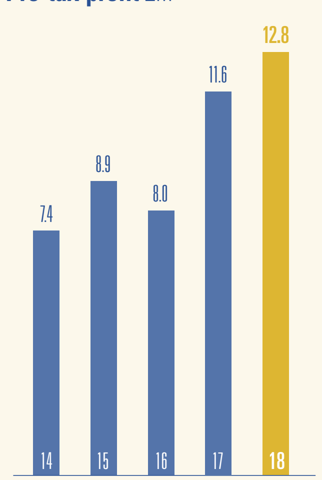
SUMMARY

- Funds under management (FuM) at 30th June 2018 were US$5.1 billion (2017: US$4.7 billion), an increase of 10%. In sterling terms, FuM increased by 8% to £3.9 billion (2017: £3.6 billion).
- Revenues, representing the Group's management charges on FuM, were £33.9 million (2017: £31.3 million). Profit before tax was £12.8 million (2017: £11.6 million).
- Basic earnings per share were 39.5p (2017: 36.9p) after a tax charge of 21% (2017: 21%) of pre-tax profits.
- An increased final dividend of 18p per share is recommended, payable on 30th October 2018 to shareholders on the register on 12th October 2018, making a total for the year of 27p (2017: 25p).

Funds under management US$bn



Pre-tax profit £m



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CHAIRMAN'S STATEMENT

"As the retiring Chairman after 12 years on your Board I am bound to reflect on where did we come from, how did we get to where we are today and how well prepared are we to face the inevitable challenges that tomorrow will bring?"

When I joined the Board on flotation in 2006, we floated at a price of 180p giving a market capitalisation of £48.2 million. Funds under Management (FuM) were £2.8 billion, and profit before tax was £4.8 million at the financial year end. The core Emerging Markets Closed-End Fund (EM CEF) strategy accounted for close to 100 percent of both FuM and profits. We had c.130 clients, almost all in the US and already the quality of our client list was the envy of many of our competitors.

At 30th June 2018 FuM were just short of $4.0 billion and pre-tax profits for the 12 months were £12.8 million. The total return to shareholders since listing has been 377 per cent, a figure that compares very favourably with our industry as is illustrated in the graph on page 20.

How was this impressive result achieved particularly in the light of the rather variable performance of the Emerging Markets on which our business has historically been very dependent? Numerous factors are relevant but three drivers are worth listing: a focus on a well-established investment methodology, efficient and highly cost effective operations and a fair treatment of staff encouraging continuity and therefore operational consistency.

What of the future? Over the years we have invested heavily in nurturing new strategies in order to diversify away from the core EM CEF cash cow. New products take time to become established and be saleable to institutional clients. There is a chicken and egg dilemma – without investors a track record cannot be established but the investors won't invest until they can be comforted by an impressive historic record. One can seed a new strategy with a few million dollars but then clients say they don't want to be the first outside investor, and in any event the track record should be demonstrated with a fund of at least US$50 million – too big for us to seed.

It is against this background that we are delighted to be able to report that the diversification strategies now represent over 20 per cent of our FuM (18% at 30th June 2018) and are growing faster than the EM CEF product. It should be noted and understood that the investment methodology employed for the diversification products is closely related to that which we have developed and honed over many years for our core strategy. A combination of the new products with the still very profitable and viable core EM CEF strategy should ensure a rewarding future for all CLIG stakeholders including our shareholders.

Results

For the year ended 30th June 2018 pre-tax profits were £12.8 million (2017: £11.6 million) and profits after a tax charge of £2.7 million (21% of pre-tax profits) were £10.1 million (2017: profits of £9.1 million after a tax charge of £2.5 million, representing 21% of pre-tax profit). Basic and fully diluted earnings per share were 39.5p and 39.3p respectively (2017: 36.9p and 36.7p).

Funds under Management, the key driver of our profits, were US$5.1 billion (£3.9 billion) at 30th June 2018 (2017: US$4.7 billion or £3.6 billion), representing a 10% increase in US$ terms for the year.

As already noted, we are greatly encouraged by the extent to which our new, albeit in terms of methodology closely related, products are now a very meaningful percentage of our total FuM. A breakdown by strategy is provided on page 21 of this report.

The core EM strategy underperformed net of fees for the full year whilst longer-term the record remains impressive. For the EM strategy discounts widened costing approximately 200bps and an underweight to China, specifically the IT sector, also detracted from performance. Frontier performance was close to the benchmark. The Developed and Opportunistic Value (formerly GTAA) strategies both recorded positive relative performance due to a combination of positive discount and allocation effects.

The Group's overhead for the year to 30th June 2018 was £12.5 million (2017: £11.9 million) and the current monthly run-rate is c. £1.1m. With largely US dollar based income and substantial sterling costs the exchange rate continues to be a key factor in determining profits; compared to the previous year's rate averaging 1.27 this represented a significant headwind with sterling strengthening to an average rate of US$1.35 to the pound over the year.

Dividends

Following on from last year's 1p increase in the total dividend for the year to June 2017 and the 1p increase for this year's interim dividend, your Board is recommending a further 1p increase for the final to 18p per share (2017: 17p) bringing the total for the year to 27p (2017: 25p), for dividend cover of 1.47 times (2017: 1.46 times). This is in line with your Board's well-established policy of targeting a 1.2 times dividend cover over a rolling 5 year period taking into account years during that period when cover was well below 1.2 times.

Board

In anticipation of our founder and CEO, Barry Olliff, stepping down in 2019, Tom Griffith, who has been on our Board for 14 years with responsibility for Operations, was appointed Deputy CEO from February 2018. This has provided for a lengthy transition and handover period before Tom takes over the reins from Barry in early 2019. Again in anticipation, this time of my retirement from the Board as of the October AGM, we were delighted to welcome Jane Stabile as a new Non-Executive Director (NED) from 1st July 2018. Not only does this appointment ensure that we will continue to have the right balance on the Board between Executive Directors and NEDs, but Jane has already been able to provide more focus at Board level to the increasingly important area of Operations.

Following my retirement it has been agreed that Barry Aling will take over as Chairman. People seem to be obsessed these days with "upgrades" whether it's their mobile phone or their seat on a flight. In this case I can confidently say that your Board will be getting a chairman upgrade! Barry, over his five years on your Board, has consistently demonstrated his understanding of the key issues and invariably applies both common sense and wisdom in his contributions to Board discussions. With important changes on the road ahead we will be fortunate to have Barry in the chair. We are also fortunate that Barry Olliff has agreed to discuss retaining an involvement with CLIG post 2019 through a consultancy role. The goal will be to combine a degree of continuity along with the inevitable change that is almost always required when a founder retires.

As in previous years we carried out a formal evaluation of the performance of the Board and its members. This confirmed that both the Board and its members had continued to operate effectively and I therefore recommend that all Directors standing for re-election be re-elected.

Outlook

As readers of my previous Chairman's Statements will know, predicting the future direction of markets is above my pay grade. I can however observe that the Emerging Markets, which underlie our core product, are currently out of favour. Fortunately our increasingly important diversified products are largely focussed on Developed markets, including the US which is enjoying the Trump stimulus. EM problems are various and range from Argentina (debt) to Turkey (politics) to China (trade wars), with Donald Trump's policies creating significant uncertainty. Having feet in both camps I take a sanguine view and leave it to shareholders to decide whether to sell EMs and buy into Developed markets or do the reverse. At City of London I believe we are well placed other than if there were a general downturn in markets worldwide and even then our flexible cost structure will stand us in good stead.

This year our AGM is on Monday 22nd October at our Gracechurch Street offices and all shareholders are most welcome. Following the meeting's formal business your Directors look forward to having the opportunity to meet and talk to individual shareholders.

In the meantime I do encourage all stakeholders, especially clients and shareholders, to read on as I believe that this report again presents a quite exceptional level of relevant information and transparency on our business underlining our commitment to excellence in all that we do.

David Cardale
Chairman

13th September 2018

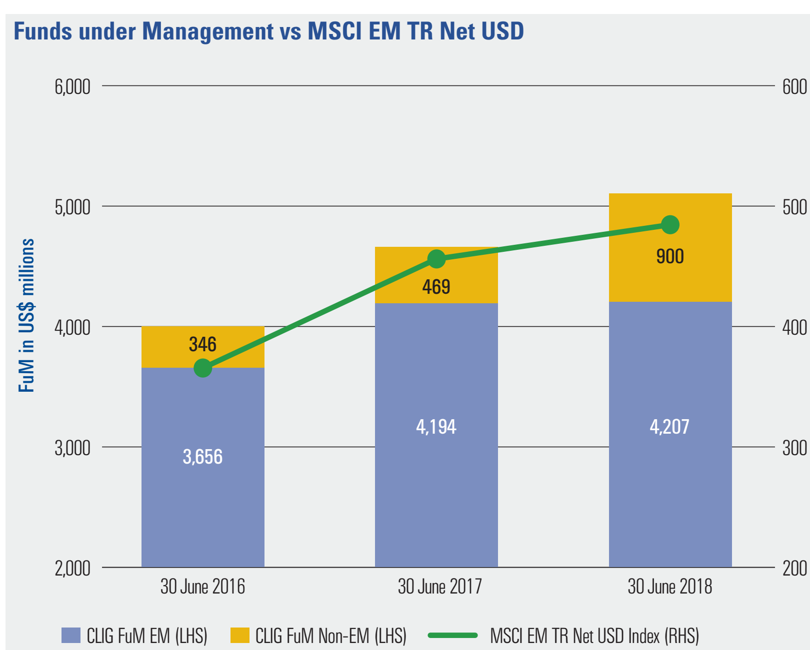
CHIEF EXECUTIVE OFFICER'S STATEMENT

"In terms of the Group's progress, the most significant event of the past financial year has related to the increased assets gained by our Diversification products."

Between Developed, Global Tactical Asset Allocation (now renamed Opportunistic Value), Tactical Income and Frontier, assets under management (as shown in the graph below) have increased from 10% to 18% of total Group FuM. While a response could be that this has been a long time coming, my reply would be that in the post 2008 world, everything takes longer as consultants and potential clients undertake deeper due diligence prior to making a commitment. Having said that, once a commitment is made it is likely to be long term thus diversifying our sources of revenue and improving the quality of our earnings. While most of this new business will accrue fees at lower than EM rates, it would seem likely that we are now on track for this part of our business to grow significantly.

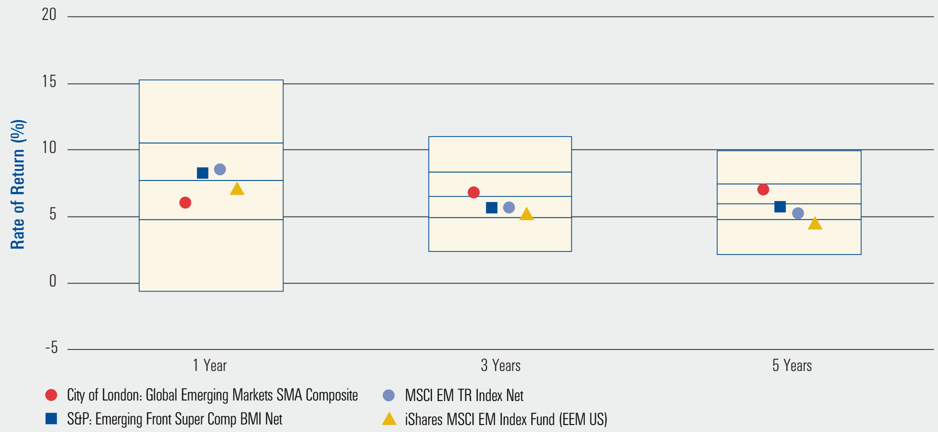
Investment performance

While the Diversification products have generally outperformed their relative benchmarks, I have gone into greater detail regarding our EM performance which has lagged the benchmark over the 12 month period ending June 2018. This was a result of widening discounts and to a lesser extent poor NAV performance from the underlying closed-end funds in which we invest. Our country allocation was positive over the period, led by an overweight to Russia. NAV performance was impacted by the strong performance of the IT sector, particularly in China. Many global, regional and China specific funds have maintained underweights to this sector due to valuation and/or corporate governance concerns as well as structural limitations. A further headwind to NAV performance relates to small cap exposure. For the past two years EM small cap has underperformed large cap by a significant margin; partly the flip side to the very strong IT sector



Global Emerging Markets SMA Composite Returns as of: 30th June 2018

*According to eVestment Alliance**



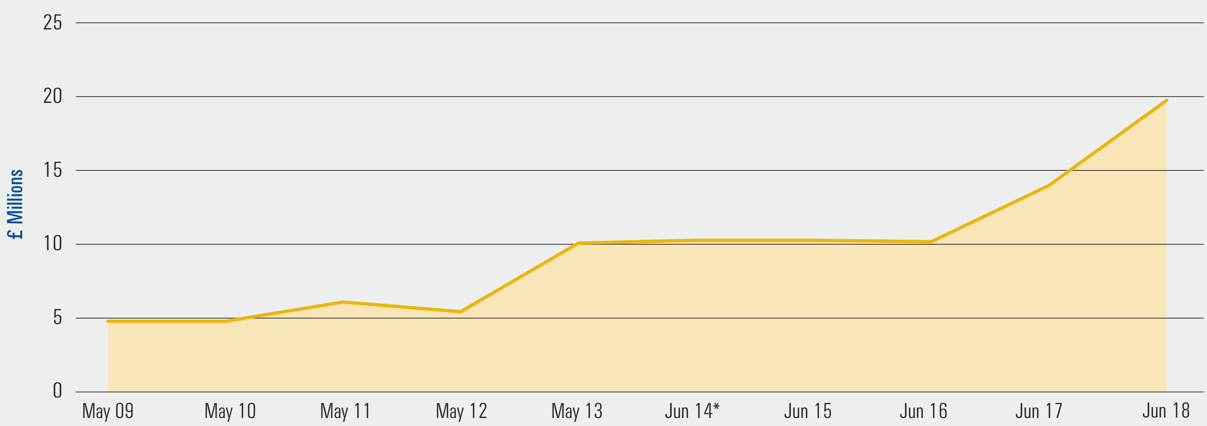
Notes

Global Emerging Markets SMA Composite returns
*96.6% of the universe has been updated through to 30th June 2018
Past performance is no guarantee of future results.

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

Note: Returns are gross of fees

Group cash position over the last 10 years



* Year-end changed to June in 2014

which now constitutes over 28% of the index – for reference, this is the largest EM Sector index weight for at least 20 years. These structural headwinds will eventually mean revert, along with discounts. In the meantime we take comfort from the average size weighted discount on our portfolios at 16% which represents the widest level for at least 10 years. EM client flows have been broadly stable with modest outflows reflecting asset allocation rebalancing. Longer term (3-5 years), as referenced in the chart above, gross returns of the EM CEF strategy returns remain above average when compared with the US institutional peer group.

REIT's

After a search lasting over a year, in July 2018 a team of two joined us to create a new REIT department. Our belief is that our investment process, as originally used with EM CEF's, and now our other Diversification products, could also be used with REIT's which also demonstrate the capacity for disproportionate alpha generation via pricing anomalies.

We are designing an EM REIT Fund with a relevant index to be used as a benchmark. As with our other Diversification products this will be a long term commitment and we will be seeding a fund prior to marketing.

CLIG diversification

We are continuing to consider corporate diversification opportunities. Having looked at many companies over the past ten or so years, we have found none that were suitable. Egos, investment performance, costs and culture differences were the main reason for our lack of success in terms of closure. With close to £20 million in the bank, if we found the right company we would be in a very good position to undertake a transaction that could enhance the Group's earnings and share price. In the event that we don't, my assumption is that the Board would give consideration to a share buy-back or the distribution of a special dividend.

CHIEF EXECUTIVE OFFICER’S STATEMENT

CONTINUED

Closed-end fund corporate governance

As you are probably aware just about 100% of our mandates require that we invest in closed-end funds. We therefore have a very real incentive to encourage the Boards of Directors who oversee the managers of these funds that they do demonstrate relevant oversight. Our view is that correct oversight will lead to a competitive product in what is increasingly becoming a competitive marketplace. As a result of this focus, we have been producing a Statement on Corporate Governance for Closed-End Funds since 1999 – this document articulates our position regarding certain principles that we believe will assist the Board of a fund not just with its governance, but with its overall profile in the marketplace. The next edition of this document will be released at the beginning of 2019. With the SWAD remaining so very wide, corporate governance is an increasingly relevant part of our work.

China fund

Having first invested in the China Fund Inc. (CHN) in the first quarter of 1998, we have watched as the corporate governance has gradually deteriorated. Whilst the earlier performance under Martin Currie was both relevant and ahead of the benchmark, recent events gave us cause for concern. While some of these were investment related, to a greater extent we were worried regarding governance issues – the Chairman had been in place for over 20 years, we were concerned regarding the manner in which a new manager had been selected and we were concerned regarding what seemed to be an increasing Management Expense Ratio (MER). As a result we very unusually proposed the appointment of two new Directors and suggested the contract be terminated under the Investment Act of 1940. Most of our concerns were voiced via regulatory filings – fortunately shareholders were very supportive, resulting in two votes that were approximately two thirds for our proposals and one third against.

In the middle of the transaction CLIM and I were sued by CHN for our actions, and, even though we won in both State and Federal Court, also on appeal, the legal costs of defending our position were c.$300,000. While many shareholders will have watched these events real time there are a couple of points worth noting. In the US the loser of a Court action does not pay the winners legal expenses. CLIM has been invited and is in the process of making suggestions that we believe will improve the Corporate Governance of CHN and expect the outcome to be a slimmed down Board, reduced MER, a significant return of assets at close to NAV, plus a change of manager.

This is the first time that we have been sued, but I believe that the outcome vindicated our position – US CEF’s are there to provide requisite exposure for shareholders, not to go around suing shareholders (the owners).

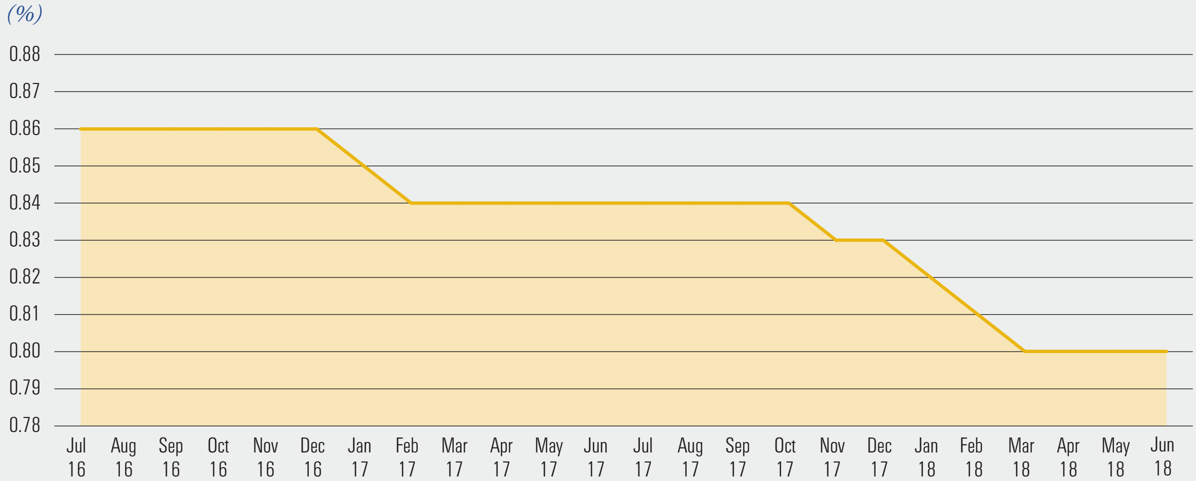
Targets, margins and FuM

As shareholders will be aware, CLIM does not use targets. This is because over an extended period history shows us that they provide the seeds of their own destruction. Targets imply / encourage growth, and in an environment of declining index levels or changed circumstance they can, and regular as clockwork do, lead to unnecessary risk taking. Risk taking (and a focus on targets) invariably leads to reduced margins. If margins are reduced, staff cannot be paid adequate bonuses thus leading to employee insecurity and potentially reduced tenure. The approach that I have advocated for 30 years is to learn from my past experience and to gradually develop the business. This approach while quite slow and possibly giving the impression of being ponderous has served shareholders well, as demonstrated by the Total Shareholder Return graph (and Staff Longevity graph) in the Key Performance Indicator section (pages 20 to 24).

Below I show a graph of our operating margin, which is the weighted average net fee rate earned by the Group.

Operating margin

(%)



While to a small extent this reflects a change in our Emerging Market fees, the major influence is from the changing mix of business. We receive lower fees for our Diversification products thus while the overall margin has been reduced their growth has benefited the P&L.

Business plans

Many small companies want to become big. My view is that it's better to keep each of the components of the business relatively small – it being better to have an increasing number of divisions or small units. I would add that in the fund management business many firms become too "large" and then suffer as they receive redemption requests based on poor investment performance. After reviewing the eVestment Alliance database of Emerging Market managers, starting in December 1991, over 30% have removed an Emerging Markets product from their database. The average product life was 9 years. During this period we have closed to new investors on 3 occasions while all of our products remain in the database.

Board changes

You will probably be aware from our interim report of Tom Griffith's appointment as Deputy CEO. Tom will be appointed Group CEO in early 2019. I would like to wish Tom all the best both during the transition, and also with his future appointment. Tom and I have worked closely together for nearly 20 years. Tom will head a very experienced management team.

In addition, and on behalf of the Board, I would like to thank David who has been a part of our Board's deliberations for twelve years. David will be standing down as Chairman during the forthcoming AGM.

Having taken on the Chairmanship from Andrew Davison in 2012, David has overseen our deliberations with patience and pragmatism. He has also been very successful in creating a consensus when this seemed most unlikely.

I look forward to welcoming Barry Aling as our new Chairman. Barry is well-versed in the ways of the City and is well equipped to continue David's good stewardship.

My intended CLIG share sales

As in previous years I would like to advise shareholders of my current intentions regarding share sales.

As I approach retirement on 31st December 2019, my intention is to sell 500,000 shares at each of 450p, 475p, and 500p subject to close periods etc.

In my opinion this is an accountable way to proceed and is in keeping with the way that I have attempted to run the firm since its inception.

CLIG outlook

From a CLIG perspective the outlook for our business has improved from last year. Our Diversification products are gaining traction and while US markets have recently outperformed, our EM exposure has underperformed. CLIM's Emerging Market CEF's SWAD is the widest for over a decade and as implied earlier in my statement, we are actively urging many funds to improve their corporate governance.

Also as mentioned earlier, we have a lot of cash on our balance sheet which will need to find a good home.

Barry Olliff
Chief Executive Officer

13th September 2018

WHAT WE DO

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

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

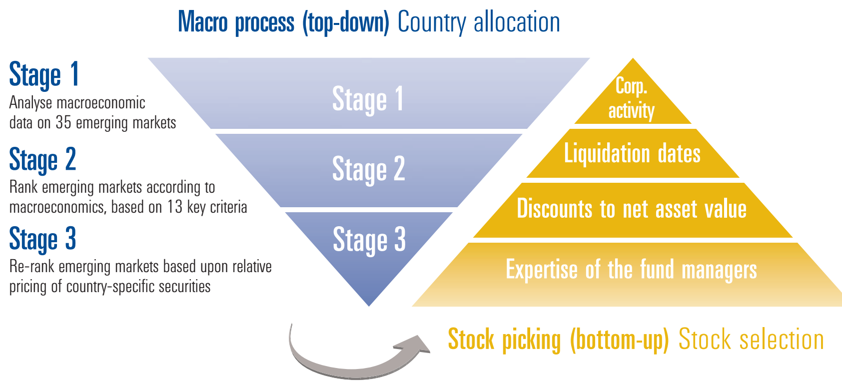
In addition, our global trading platform and knowledge of closed-end funds has been extended to meet client demand. We now manage funds applying our investment process to Developed markets, Frontier markets, Opportunistic Value (formerly Global Tactical Asset Allocation) and Private Equity via closed-end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

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

HOW WE DO IT

THE INVESTMENT PROCESS

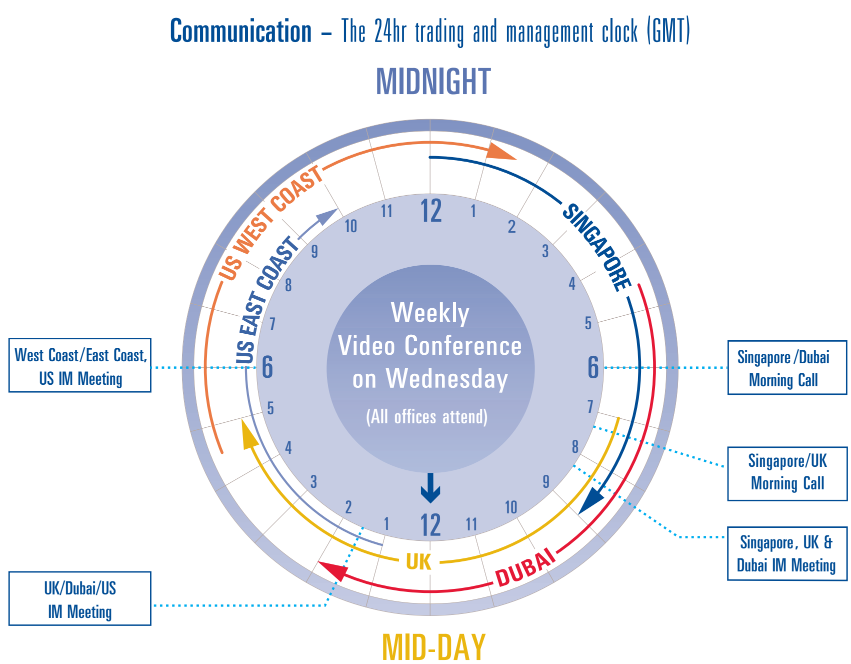
We have developed and nurtured a team investment process which does not rely on 'star' fund managers, but rather upon experienced fund managers using analytical procedures that can produce repeatable and sustainable first or second quartile performance versus our peers.



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

OUR COMPETITIVE ADVANTAGE

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



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

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

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

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THE MANAGEMENT OF (AT) CLIM

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

We support teams. What this means is that we discourage the cult of the individual or "star" fund manager, believing that the risks associated with a star culture are detrimental to both shareholders and clients. The average tenure of the 12 CLIM fund managers is a little over 15 years.

The present Management Team at CLIM has an average tenure of 13 years. The members of the CLIM Senior Management Team are the Executive Directors plus: Ashleigh Simms, Head of Compliance; Michael Edmonds, Head of the Developed/Opportunistic Value Strategy; Jeff Gill, Head of the Frontier Strategy; Ted Sevick, Portfolio Manager – EM CEF; Alan Hoyt, Head of IT; Anthony Inverso, Operations Manager; and Courtney Short, Head of US Client Servicing. On 1st July 2018 Carlos Yuste rejoined the Senior Management Team as Head of Business Development.

OUR STRATEGY AND OBJECTIVES

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

THE CLIENTS
(PAY THE BILLS)

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

THE EMPLOYEES
(MANAGE THE BUSINESS)

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

THE SHAREHOLDERS
(OWN THE BUSINESS)

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

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

OUR STRATEGY AND OBJECTIVES

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

We address this under the following headings:

1. OUTPERFORM

2. RETAIN STAFF

3. INCREASE FUM FROM LONG-TERM INSTITUTIONAL INVESTORS

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

5. KEEP COSTS DOWN

6. CORPORATE CITIZENSHIP

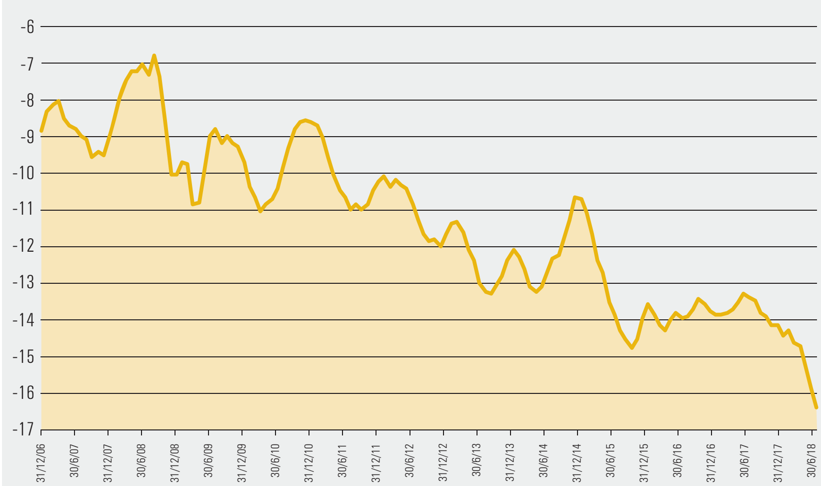
7. CONTINUE TO DIVERSIFY OUR BUSINESS

1. Outperform

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

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

3-Month rolling average portfolio discount December 2006 to June 2018



Source: City of London Investment Management

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

One of the headwinds to the performance of the EM CEF Strategy has been a general widening of discounts and a corresponding significant increase in the Size-Weighted Average Discount ("SWAD") of our Emerging Markets portfolios which provide approximately 90% of Group income. The SWAD has continued to widen in the 12 month period ending June 2018 specifically as sentiment has recently deteriorated towards EM. Within this environment we have been able to recirculate assets from the proceeds of tender offers; liquidations and capital gains/income distributions into securities trading at much wider discounts. If the SWAD narrows, other things being equal, this will provide a tailwind to our performance. In the event that it remains at current levels we would expect corporate activity to increase and for our clients to benefit accordingly.

OUR STRATEGY AND OBJECTIVES

CONTINUED

2. Retain staff

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

A testament to our approach is that CLIM's 12 fund managers have an average tenure of over 15 years.

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

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

In the table below we show the relationship between staff and Directors' salaries and bonuses, referred to as remuneration, from 2009 to 2018.

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

Remuneration costs for Directors and Employees from 2009 to 2018

	2009 Total £'000	2010 Total £'000	09/10 % change	2011 Total £'000	10/11 % change	2012 Total £'000	11/12 % change	2013(6) Total £'000	12/13 % change	2014 Total £'000	13/14 % change	2015 Total £'000	14/15 % change	2016 Total £'000	15/16 % change	2017 Total £'000	16/17 % change	2018 Total £'000	17/18 % change
Executive																			
Barry Olliff (1)	740	1,125	52%	1,178	5%	981	-17%	548	-44%	660	20%	773	17%	729	-6%	999	37%	1,071	7%
D F Allison (2)	354	538	52%	648	20%	565	-13%	282	-50%	–	–	–	–	–	–	–	–	–	–
T W Griffith (1)	254	384	51%	466	21%	414	-11%	326	-21%	334	2%	459	37%	473	3%	653	38%	696	7%
C M Yuste (1) (3)	254	383	51%	465	21%	413	-11%	325	-21%	334	3%	458	37%	88	-81%	–	–	–	–
V S Tannahill (4)	–	–	–	–	–	–	–	69	–	–	–	–	–	–	–	–	–	–	–
M D Dwyer (5)	–	–	–	–	–	–	–	–	–	–	–	–	–	317	–	619	95%	670	8%
T A Rodrigues (5)	–	–	–	–	–	–	–	–	–	–	–	–	–	178	–	474	166%	501	6%
Executive Directors	1,602	2,430	52%	2,757	13%	2,373	-14%	1,550	-35%	1,328	-14%	1,690	27%	1,785	6%	2,745	54%	2,938	7%
Employees	4,031	5,851	45%	7,297	25%	7,822	7%	6,845	-12%	6,504	-5%	7,006	8%	6,863	-2%	8,205	20%	8,535	4%
Total	5,633	8,281	47%	10,054	21%	10,195	1%	8,395	-18%	7,832	-7%	8,696	11%	8,648	-1%	10,950	27%	11,473	5%
Average head count and FX rates																			
Executive Directors	4	4		4		4		4		3		3		4		4		4	
Employees	51	58		64		73		73		67		67		68		68		69	
GBP/USD	1.64	1.60		1.58		1.59		1.57		1.62		1.57		1.48		1.27		1.35	
Percentage of aggregate spend																			
Executive Directors	28%	29%		27%		23%		18%		17%		19%		21%		25%		26%	
Employees	72%	71%		73%		77%		82%		83%		81%		79%		75%		74%	
Director average	401	608	52%	689	13%	593	-14%	388	-35%	443	14%	563	27%	446	-21%	686	54%	735	7%
Employee average	79	101	28%	114	13%	107	-6%	93	-12%	97	3%	104	8%	100	-4%	120	20%	124	2%
Profit before tax (excl. NCI)	5,384	10,379	93%	13,150	27%	11,462	-13%	10,160	-11%	7,242	-29%	8,791	21%	7,796	-11%	11,590	49%	12,792	10%
Dividend per share	15.0p	22.0p	47%	24.0p	9%	24.0p	0%	24.0p	0%	24.0p	0%	24.0p	0%	24.0p	0%	25.0p	4%	27.0p	8%

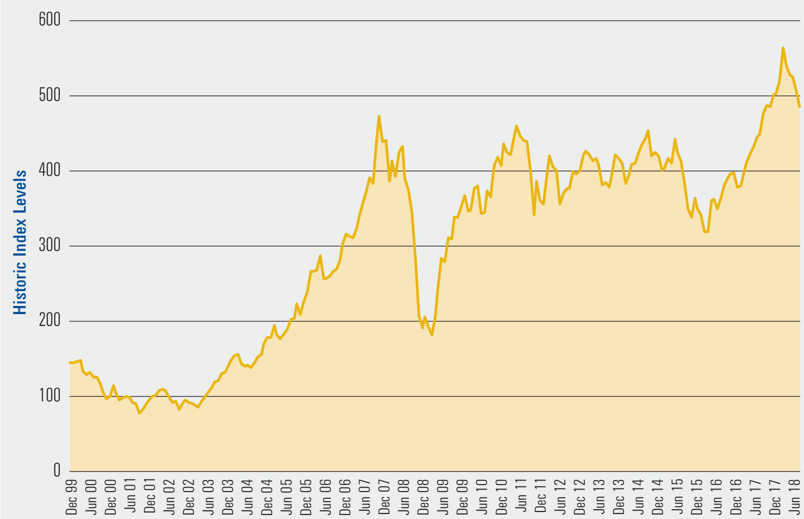
(1) Remuneration paid in US dollars
(2) Resigned 15th April 2013
(3) Resigned 31st December 2015
(4) Appointed 1st January 2013 and resigned 15th April 2013. Remuneration disclosed for this period only.
(5) Appointed to Board 19th October 2015
(6) Excludes loss of office payments

2. Retain staff

(continued)

MSCI emerging markets net total return index

US$ based



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

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

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

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

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

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

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

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

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

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

A. We are pleased to say that c.60% of staff have elected to participate in this financial year and c.65% in the year ending 30th June 2019.

OUR STRATEGY AND OBJECTIVES

CONTINUED

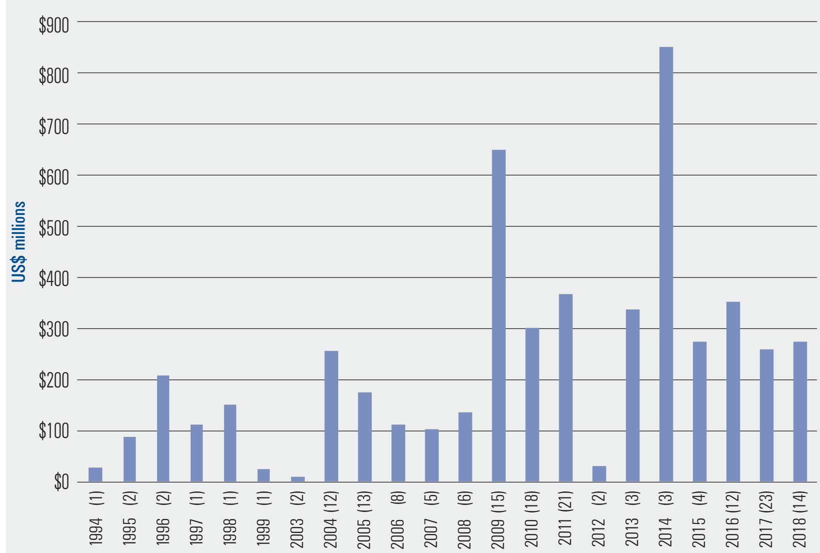
3. Increase FuM from long-term institutional investors

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

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

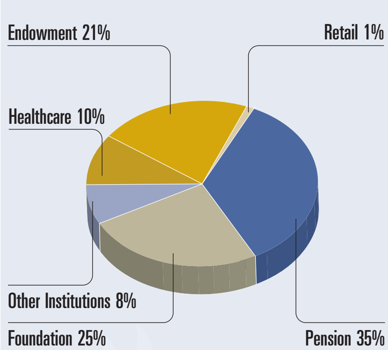
We have c.170 institutional clients, many of whom have been clients of CLIM for many years. The graph below shows the length of time that clients have been invested with us.

Client market value as of 30th June 2018



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

CLIENTS BY SECTOR



Ten largest clients by market value

	Client	Market value 30th June 2018	Inception date
1	Foundation	$705 million	28-May-2014
2	Public	$420 million	21-Sep-2009
3	Public	$272 million	15-Oct-2013
4	Public	$195 million	01-Apr-2016
5	Endowment	$194 million	01-Nov-1996
6	Endowment	$160 million	01-Jun-2004
7	Public	$152 million	02-Feb-2015
8	Corporate	$146 million	01-Apr-2011
9	Corporate	$113 million	01-Mar-1997
10	Corporate	$112 million	01-Sep-2015
	Total	**$2,469 million**	

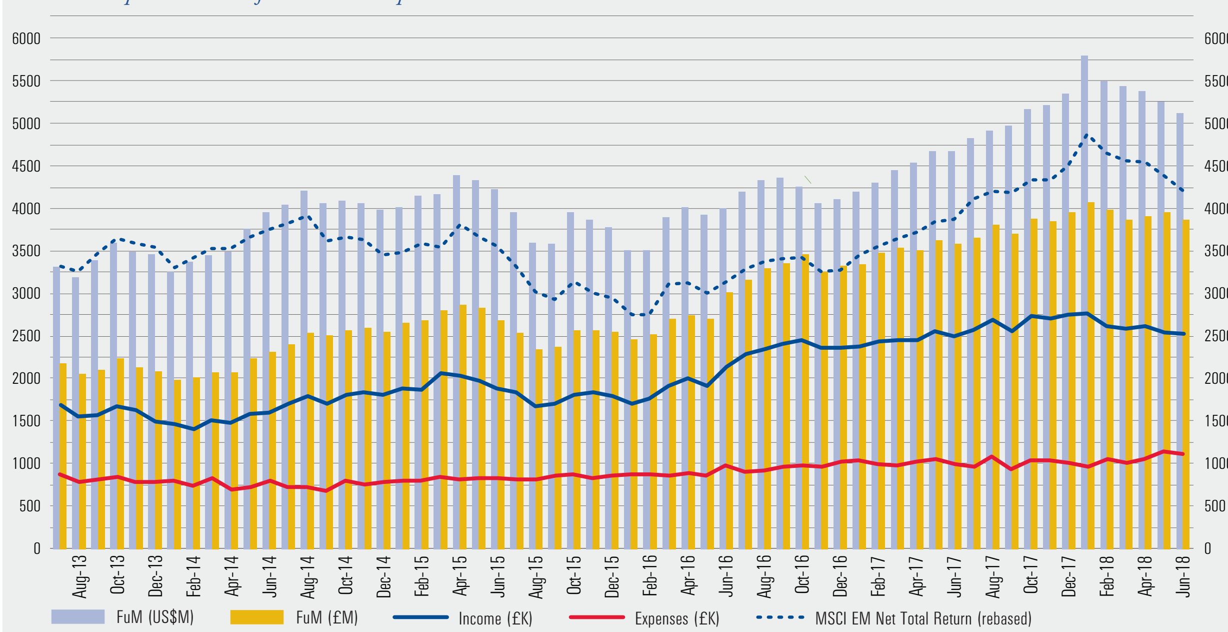
The ten largest clients are all North American.

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

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

Rolling five year Funds under Management and Profitability

Excludes exceptional items of income and expenditure



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

- Starting point Current FuM (June 2018).
- Net increase in 2018/2019 (straight-lined to June 2019):
  – emerging market CEF strategy zero
  – non-emerging market CEF strategies US$250m
- Operating margin adjusted monthly for change in product mix and commission run-off.
- Market growth: 0%.
- Increase in overheads: 3%.
- EIP charge: 4% of operating profit.
- Corporation tax based on an estimated average rate of 20%.
- Exchange rate assumed to be £1/$1.32 for entire period.
- Number of CLIG Shares in issue (26.9m) less those held by the ESOP Trust (1.5m) as at 30th June 2018.

OUR STRATEGY AND OBJECTIVES

CONTINUED

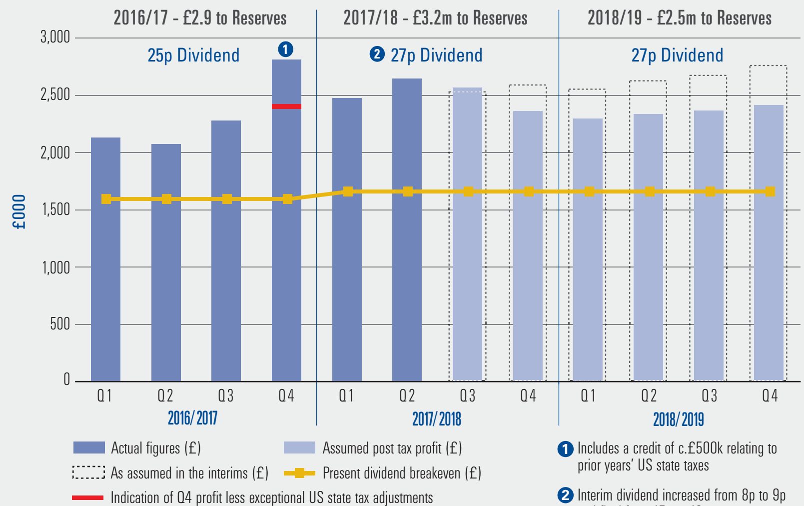
4. Remain open in our dealings with shareholders, available and accountable

(continued)

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

Dividend cover

Actual and assumed over three financial years



Note: Excludes unrealised gains on seed investments

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

Dividend policy

This policy was introduced in 2014 and was designed to incorporate the required flexibility to deal with the potential volatility of CLIG's P&L:

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

5. Keep costs down

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

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

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

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

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

6. Corporate citizenship

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

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

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

7. Continue to diversify our business

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

Having established ourselves as a firm with an institutional client focus, specialising in emerging market closed-end funds, we applied our extensive knowledge of the closed-end fund (CEF) industry to successfully develop a range of non-emerging market CEF products which at 30th June 2018 represented c.18% of Funds under Management. These strategies are growing steadily and at the time of writing are a little over 20%.

In addition, we are in the early stages of developing a new REIT product which we believe is a good fit with our investment process. As is common practise in our industry, we will be seeding the new fund(s). This will be a long-term commitment, as with all new products, it takes many years for these new strategies to establish themselves and find a footing in the marketplace.

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

BUSINESS DEVELOPMENT REVIEW

Overview

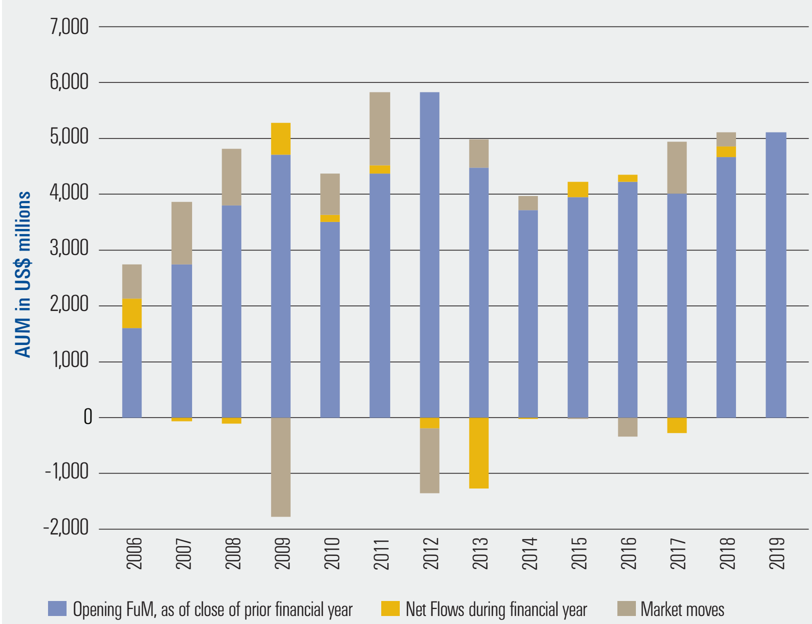
Long-term investment performance in the emerging markets closed-end fund (CEF) strategy remains strong, with first or second quartile results versus manager peers over the 3 and 5-year rolling periods ending 30th June 2018.

There were new inflows of $319 million in our core emerging market strategies, which were countered by outflows of $534 million, leading to net outflows of $215 million as clients rebalanced after strong gains in emerging markets over 2017.

Fundraising in the diversification products resulted in inflows of $474 million and outflows of $74 million for a net gain of $400 million. Inflows by product were $279 million in Developed Markets strategies, $67 million in Frontier Emerging Markets strategies and $54 million in Opportunistic Value strategies.

Diversification products now represent circa 18% of Group Assets Under Management (AUM), compared with 10% last year. These additional assets will assist in efforts to raise the profile of our extension CEF products with institutional consultants and plan sponsors.

Total in flows – out flows



Products

A combination of strong performance and additional AUM into our diversification products resulted in assets growing in these strategies by 95% over the year.

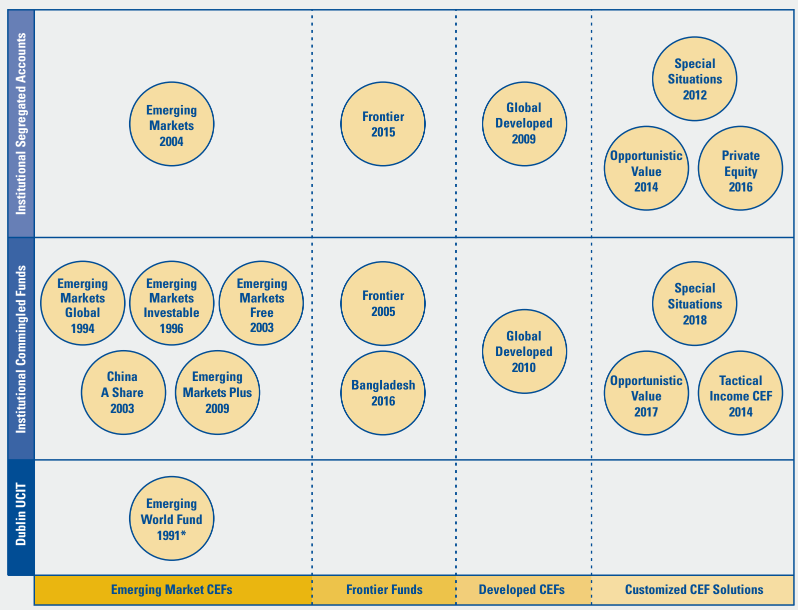
The Developed Markets CEF Strategy utilises our experience with closed-end funds in our core emerging markets strategy to provide exposure to global developed markets.

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

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

Business diversification

Products map



**Formerly Emerging Markets Country Trust*

Performance

Relative performance over the period was negative for the Emerging Markets strategy due to negative NAV and discount effects. The Developed and Opportunistic Value (formerly GTAA) strategies all recorded positive relative performance due to a combination of positive discount, NAV and allocation effects. The Frontier strategy had slight underperformance vs the S&P Frontier Index due to negative NAV and currency effects, but outperformed the MSCI Frontier Index over the period.

The Global Emerging Markets Composite investment returns for the rolling one year ending 30th June 2018 were 4.3% vs. 8.2% for the MSCI Emerging Markets Index in USD and 8.1% for the S&P Emerging Frontier Super BMI Index in USD.

The Global Developed Composite investment returns for the rolling one year ending 30th June 2018 were 11.2% vs. 7.3% for the MSCI ACWI ex US in USD.

The Frontier Markets Composite investment returns for the rolling one year ending 30th June 2018 were 4.2% vs. 4.5% for the S&P Frontier EM 150 benchmark in USD.

The Opportunistic Value Composite investment returns for the rolling one year ending 30th June 2018 were 8.3% vs. 6% for the 50/50 MSCI ACWI/Barclays Global Aggregate Bond index in USD.

Outlook

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

KEY PERFORMANCE INDICATORS

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

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

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

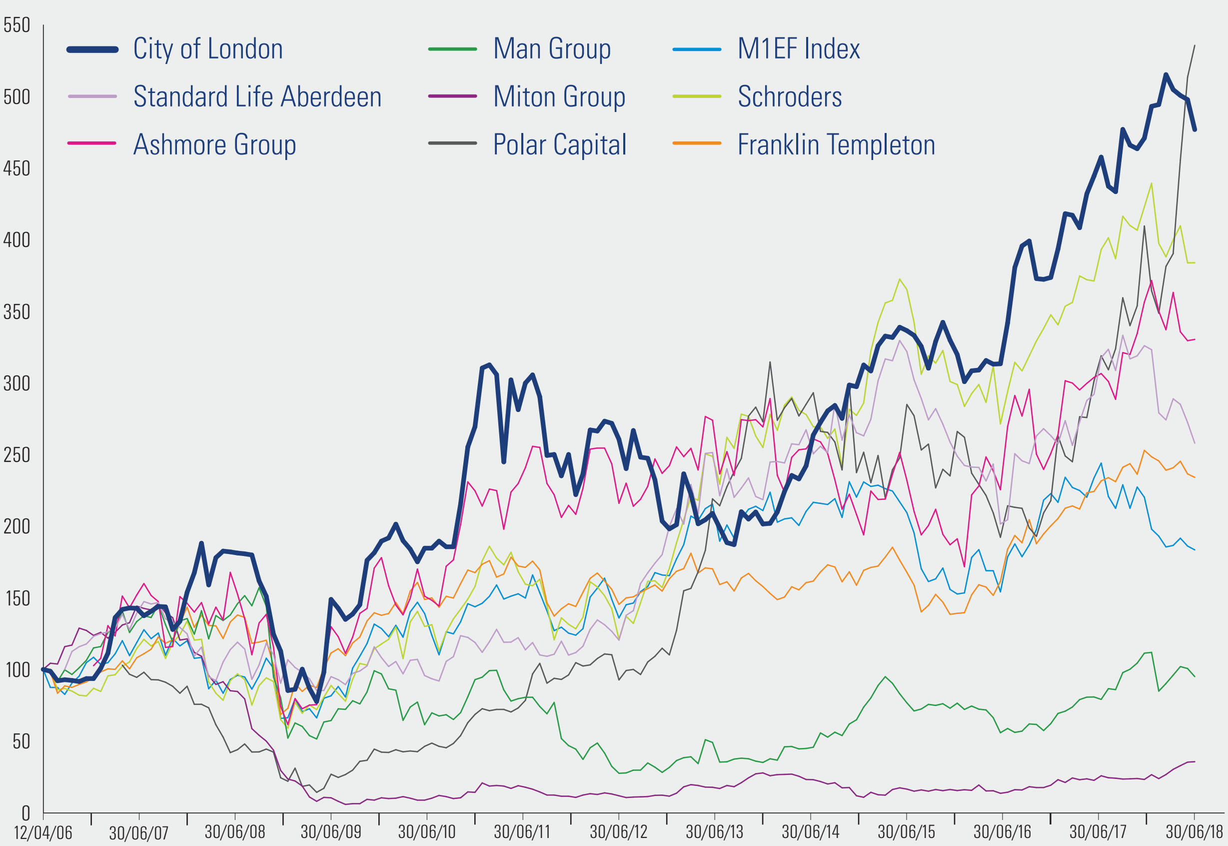
Furthermore, whilst we can talk about investment performance, long-term clients, stability of staff, levels of the stock market, business plans, budgets and cost savings, these influences do not necessarily automatically come through to the bottom line in terms of the measurement of shareholder value.

TOTAL SHAREHOLDER RETURN

It is our view that the true measurement of a management team is the long-term total return of the shares of the company that they manage.

Below is a graph of our London listed peers with significant Emerging Markets exposure, rebased to CLIG's listing date, 12th April 2006. CLIG has exceeded the MSCI Emerging Markets T/R Index virtually since listing and also compares very favourably to its London listed peers.

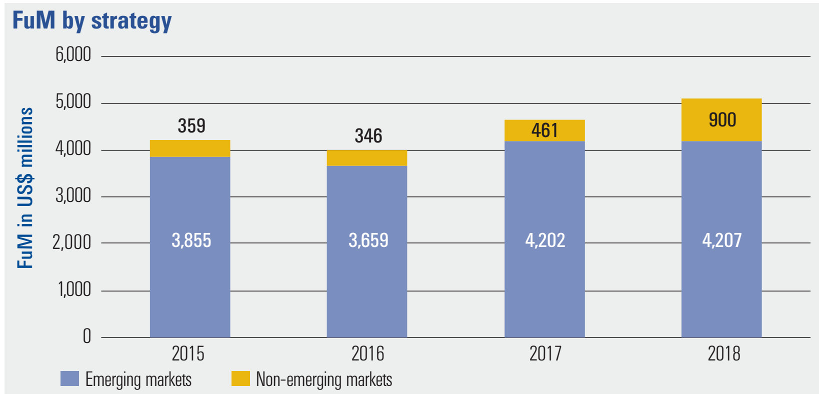
Listed London peer group with significant Emerging Markets exposure (all values in GBP)



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

1. FUM & DIVERSIFICATION

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

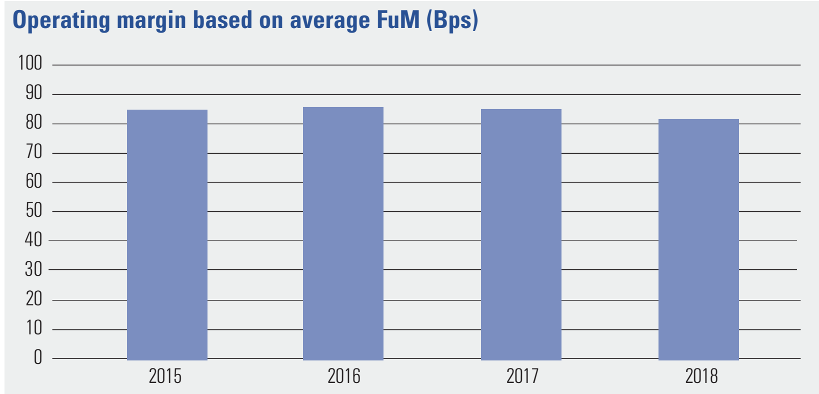


Overall FuM are up 10% this year mainly due to an increase in the diversification strategies, which have almost doubled over the year.

2. OPERATING MARGIN

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

*Referenced on Page 28



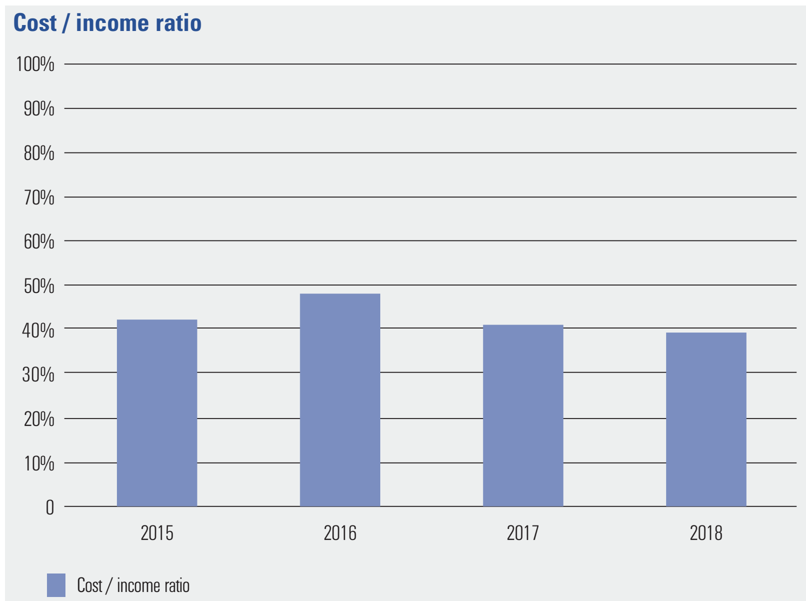
The above chart shows the annual net fee income measured as a percentage return on the average annual FuM.

KEY PERFORMANCE INDICATORS

CONTINUED

3. COST / INCOME RATIO

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



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

In absolute terms, overheads are up 5% year on year and net fee income is up 9%.

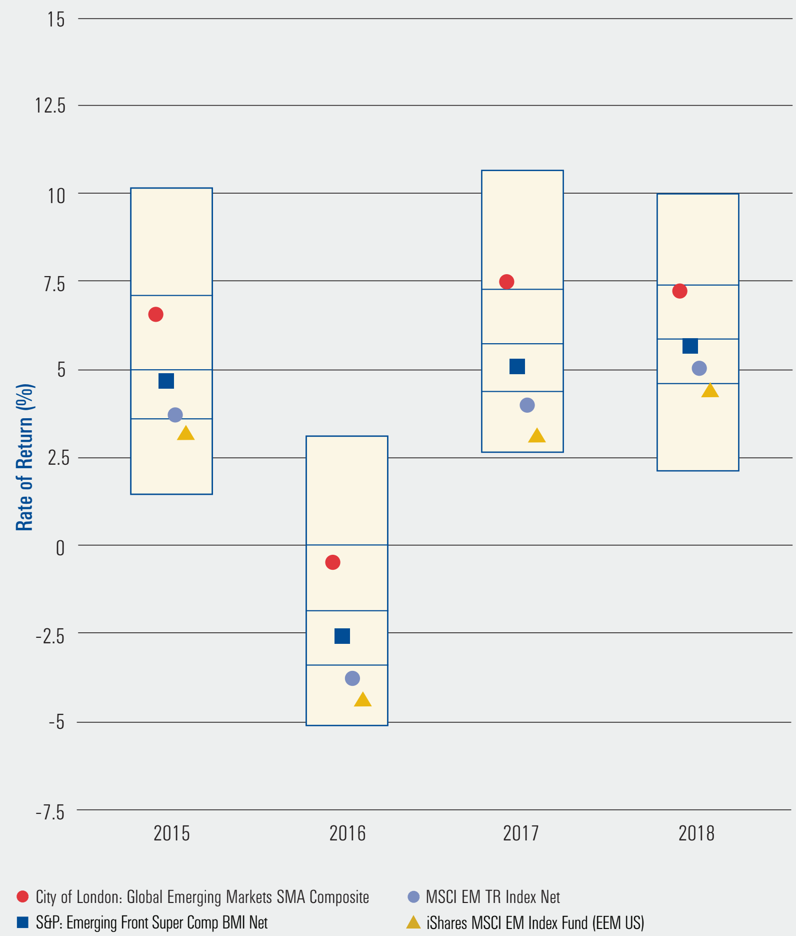
4. INVESTMENT PERFORMANCE

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

Recent investment performance has been weaker, primarily due to a widening trend in our SWAD and the small cap bias that we are exposed to via the CEF's in which we invest.

Global Emerging Markets SMA Composite 5 Year Annualised Returns

*According to eVestment Alliance**



*96.6% of the universe has been updated through to 30th June 2018

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

Past performance is no guarantee of future results.

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

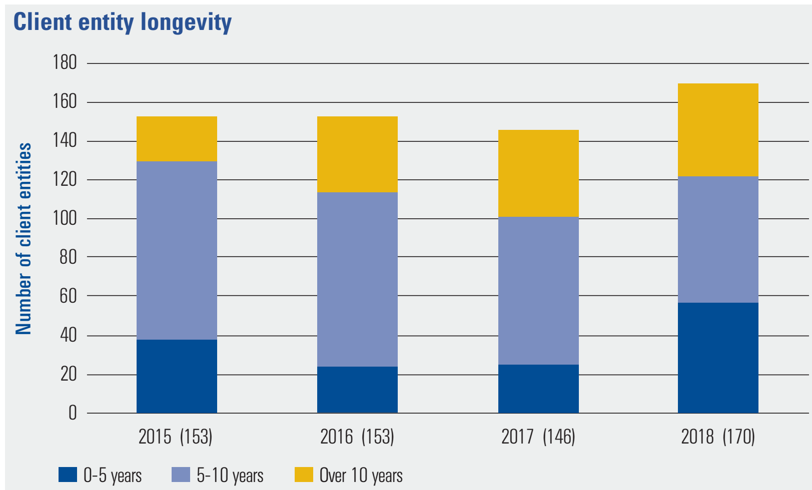
Note: Returns are gross of fees for relevant CLIM fund and peer group.

KEY PERFORMANCE INDICATORS

CONTINUED

5. CLIENT LONGEVITY

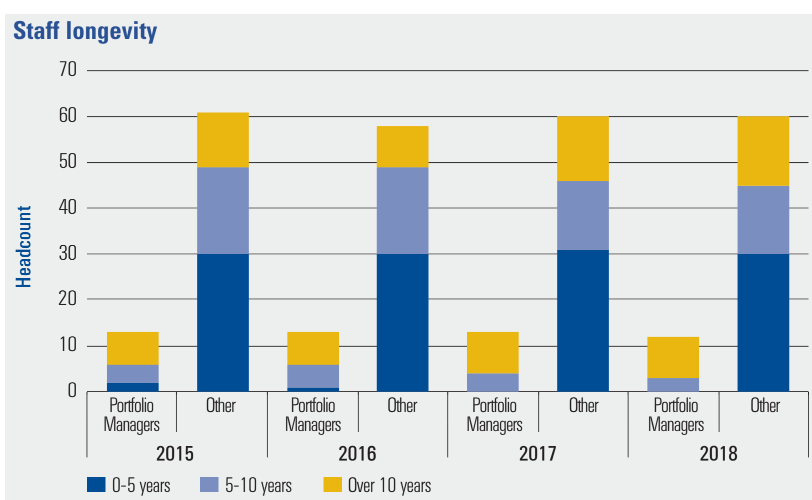
We find that stability of investment performance equates to stability of clients, but in addition there needs to be a belief amongst clients that both our investment process will be maintained and also that our employees will remain in place.



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

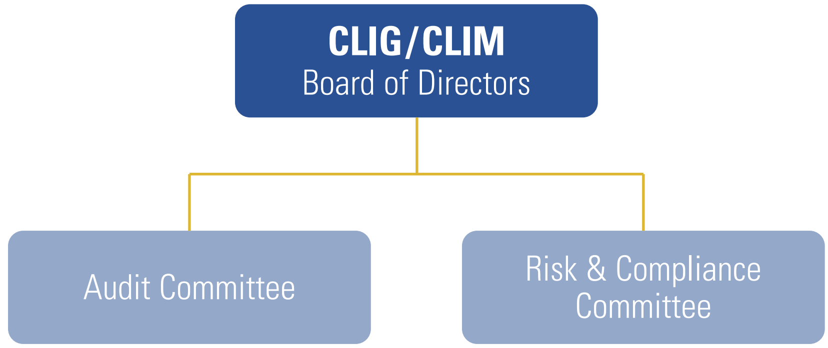
6. STAFF LONGEVITY

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



All our Portfolio Managers have been with the Group for five or more years, and a third of all employees have been with us for over ten years.

RISK MANAGEMENT



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

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

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

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

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

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

RISK MANAGEMENT

Internal control

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

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

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

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

Key Risks

The principal risk that the Group faces is the potential for loss of funds under management as a result of poor investment performance, client redemptions, a breach of mandate guidelines or market volatility. The Group seeks to attract and retain clients through consistent outperformance supplemented by first class client servicing. As highlighted in the Business Development review on pages 18 to 19, the risk of our Assets Under Management (AUM) being attributed to one geographical sector has been reduced over the past year, with the diversification strategies – Developed, Frontier and Opportunistic Value (previously known as Global Tactical Asset Allocation) accounting for circa 18% of the Group's total AUM as at 30th June 2018.

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

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

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

In addition, there are a number of less significant financial risks outlined in note 26 on pages 88 to 90.

FINANCIAL REVIEW

Marketing commission run-off (based on FuM at 30th June 2018)

Financial year	£m (@ $1.32/£1)
2018-19	0.8
2019-20	0.2

Assumptions:
– No change in client holding
– Constant market level
– Indexed investment performance
– No change in management fees

Consolidated income statement and statement of comprehensive income

The average Funds under Management (FuM) for the year was US$5.2 billion compared with US$4.3 billion in 2016/2017 (based on the month end values), an increase of approximately 21%. The Group's gross revenue comprises management fees charged as a percentage of FuM and as a result is also up year on year but by only 8% to £33.9 million (2017: £31.3 million). Revenue did not increase in line with FuM in part due to the significant increase in non-Emerging Market (EM) assets, now representing c.18% of FuM (2017: c.10%). Average fee rates for non-EM products are in general lower than EM products. However, sterling strengthening against the US dollar this year was the major contributor, with an average USD/GBP rate of 1.35 compared to 1.27 last year.

Commissions payable of £1.1 million (2017: £1.4 million) relates to fees due to third party marketing agents for the introduction of clients. The contract to which all but a small proportion of these commissions relate expired in October 2010. Under the agreement, commission is based on a period of ten years from the date of the client's initial investment. As a guide, the table presented illustrates the rate of the commission run-off relating to the expired contract, based upon FuM and market levels at the year end.

The Group's net fee income, after custody charges of £1.2 million (2017: £0.9 million), is £31.6 million (2017: £29.0 million), up 9% on last year. As a weighted average percentage of FuM, net fee income is currently around 80 basis points compared to 84 basis points at the end of last year.

Administrative expenses of £19.1 million (2017: £17.5 million) includes: the 30% of operating profit that forms the profit-share pool, £6.1 million including payroll taxes (2017: £5.5 million) plus the charge this period of the Company matching the employees' participation in the Employee Incentive Plan (EIP) of £0.5 million (2017: £0.1 million), representing less than 3% (2017:<1%) of pre-bonus operating profit which is within the 5% limit approved by shareholders.

Stripping these variable costs out leaves a core overhead of £12.5 million (2017: £11.9 million), up 5% on last year. This increase primarily relates to one-off legal costs for the proxy solicitation/defence costs relating to the China Fund investment as detailed in the CEO's statement, the set-up of new funds for our diversification products and for the implementation of MiFID II.

The largest component of core overhead continues to be Human Resource (HR) related at £7.5 million (2017: £7.5 million); the mid-year employee salary increase was offset by FX savings due to sterling strengthening against the US dollar.

The overall cost-income ratio this year is 39% (arrived at by comparing core overhead to net fee income) and compares to 41% last year.

Interest receivable and similar gains of £0.3 million (2017: £0.1 million) is principally realised gains on sales of our seed investments this period but also includes bank interest on deposits, fair value losses on hedging and a small write-back of an overestimated interest charge in relation to prior years' US state taxes.

The net of the above results in a pre-tax profit of £12.8 million (2017: £11.6 million).

Corporation tax this year amounts to £2.7 million (2017: £2.4 million), an effective rate of 21%, the same as last year. This reflects the reduction in the US Federal tax rate from 34% to 21% which took effect halfway through the year, as of 1st January 2018. Whilst this year's charge is reflective of a reduced tax rate, last year's tax charge was unusually low due to a provision of £0.4 million in respect of an estimated net refund of prior years' US taxes, 50% of which has now been settled.

Post tax profits plus the release of the fair value gains on the Group's seed investments sold during the year of £0.2 million (2017: £0.2 million increase) results in a total comprehensive income attributable to equity shareholders for the period of £9.9 million (2017: 9.5 million).

Consolidated statement of financial position and statement of changes in equity

The Group's financial position continues to be strong and liquid with cash the major part of net assets at £19.7 million representing 92% (2017: £13.9 million, 77%).

Aside from the £5.8 million increase in cash during the period, which is analysed in the cash flow report on page 68, the other significant movements in net assets are:

- A decrease in available-for-sale financial assets of £0.9 million which reflects the sale of our seed investment in the CLIM International Equity CEF.
- An increase in liabilities of £0.8 million relating to employee waived profit share in respect of participation in the EIP. These funds are held on account until such time the awards vest or are forfeited. On vesting they will off-set the investment in own shares. On forfeiture the lower of the waived bonus or the market value of the deferred shares at that time will be paid to the employee.
- An increase in liabilities of £0.4 million relating to unbilled custody charges.
- An increase in liabilities of £0.3 million relating to the revaluation of our outstanding forward value foreign exchange trades against the forward market rate available as at 30th June 2018.

The major changes in equity this year are comprehensive income of £9.9 million (2017: £9.5 million) and the dividends paid during the year of £6.6 million (2017: £6.0 million). The dividend comprised the 17p final dividend for 2016/17 plus the 9p interim dividend for the current year (2017:16p final and 8p interim). The Group's dividend policy is set out on page 16.

During the year, Directors and employees exercised 220,487 options over shares held by the Employee Benefit Trust (EBT), raising £0.6 million. The EBT purchased 227,742 shares at a cost of £1.0 million in preparation for the EIP awards due at the end of October 2018.

A provision for the charge this period of the Company matching the employees' participation in the EIP of £0.5 million is recorded in the EIP share reserve.

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

Currency exposure

The Group's revenue is almost entirely US dollar based whilst its costs are incurred in US dollars, sterling and to a lesser degree Singapore dollars and UAE dirhams. The table presented aims to illustrate the effect of a change in the US dollar/sterling exchange rate on the Group's post-tax profits at various FuM levels, based on the assumptions given, which are a close approximation of the Group's current operating parameters. You can see from the illustration that a change in exchange rate from 1.35 to 1.25 on FuM of US$5.5 billion increases post-tax profits by £1.0 million.

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

FX/Post-Tax Profit Matrix

Illustration of US$/£ rate effect:

FuM $bn	4.0	4.5	5.0	5.5	6.0
US$/£	Post-Tax, £m:				
1.20	7.2	9.0	10.8	12.5	14.3
1.25	6.9	8.5	10.2	11.9	13.6
1.30	6.5	8.1	9.7	11.4	13.0
1.35	6.1	7.7	9.3	10.9	12.4
1.40	5.8	7.3	8.9	10.4	11.9

Assumptions:

1 Average net fee 80 bp's
2 Annual operating costs £4.5m plus US$9.5m plus S$1m (£1 = S$1.8)
3 Profit share 30%
4 EIP 3%
5 Average tax of 21%

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

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

FINANCIAL REVIEW

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 2018 these forward sales totalled US$9.0 million, with a weighted average exchange rate of US$1.38 to £1 (2017: US$4.8 million at a weighted average rate of US$1.28 to £1).

Viability statement

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

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

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

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

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

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

Group policies are focused on the following key areas:

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

1. Workplace

Employee Welfare

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

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

Health and Safety

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

2018	Female	Male
Directors (incl. NEDs)	2	6
Senior managers	2	5
All other employees	23	38

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 2018 the gender ratio at Board level was 25% female to 75% male (2017: 13% to 87%). This ratio is now 33% and 67% respectively following the appointment of Jane Stabile on 1st July 2018.

Of our 72 employees, 36% are female (2017: 38%), including 29% of senior management (2017: 20%), and 38% of the remaining employees (2017: 41%).

Work/Life Balance

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

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

CONTINUED

1. Workplace

(continued)

Human Rights

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

Learning and Development

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

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

We recognise the value of cross-training across our offices and regularly transfer employees to other offices to obtain experience. We currently have an employee from Philadelphia on a two year Cyber Security assignment at our Singapore office. We also recently had a US employee visiting our London office on a 4 month secondment and an employee from our London office on a 6 month secondment to our Dubai office.

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

2. Environment

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

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

Barry Olliff is the Executive Director responsible for the Group's environmental policy.

2. Environment
(continued)

Mandatory Carbon Reporting

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

Total CO_2e Emissions

	2017/18		2016/17	
	Tonnes of CO_2e	Intensity ratio	Tonnes of CO_2e	Intensity ratio
Scope 1	–	–	–	–
Scope 2	150.3	2.06	165.6	2.30
Purchased electricity	150.3		165.6	
Scope 3	511.0	7.00	223.8	3.11
Business air travel	498.1		210.7	
Electricity transmission and distribution losses	12.9		13.1	
Total	661.3	9.06	389.4	5.41

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

The intensity ratio is significantly higher this year for our scope 3 emissions due to an increase in our business travel. In part this is due to the fact that there was no off-site strategy meeting last year. There has also been an increase in travel due to marketing efforts, client servicing and corporate governance.

3. Ethics

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

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

CONTINUED

4. Community

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

2017/2018 Highlights include:

- Food Bank donations to support underprivileged families in the local communities (US & UK).
- Salvation Army and Community, Youth and Women's Alliance gift giving and donations (US & Singapore).
- Ramadan Community Campaigns to support refugees (Dubai).
- Monetary donations to support the Felix Project, a programme that provides food to young children and their families (UK).
- Supplies collection for the Puerto Rico Hurricane Relief Efforts (US).
- Save Our Stray Dogs, a volunteer-run organization dedicated to the welfare of Singapore's many street dogs (Singapore).
- Student backpacks and school supplies donation to support local schools with underprivileged students (US).
- Various runs and walks to support causes such as Juvenile Diabetes Research Foundation, Hearing Loss Association of America, Autism and Cancer Research (US) and Great Ormond Street Hospital Charity (UK).

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

5. Responsible investment

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

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

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

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

Our voting policy and our voting record since 2017 are disclosed on our website. Our Annual Stewardship Report, which provides a convenient summary of our voting record and our engagement with closed-end fund boards, is also publicly available. More detailed information is available on our website about CLIG's own ESG credentials. This covers our commitment to conduct our business in an environmentally responsible manner, our responsibilities for the welfare and development of our employees, and the comprehensive policies that ensure our business is managed in accordance with the highest governance standards.

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

For and on behalf of the Board

Barry Olliff
Chief Executive Officer

13th September 2018

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

BOARD OF DIRECTORS

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

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

B. M. Olliff CHIEF EXECUTIVE OFFICER, CHIEF INVESTMENT OFFICER

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

T. W. Griffith DEPUTY CEO, CHIEF OPERATING OFFICER

Prior to joining City of London Group in 2000, Thomas Griffith held various positions in the institutional client division of The Vanguard Group including roles as both a Client Relationship Manager and a Marketing Executive. In 1986 he obtained a bachelor's degree in Corporate Finance and Investment Management from the University of Alabama.

M. D. Dwyer CHIEF INVESTMENT OFFICER EM CEF GROUP

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

T. A. Rodrigues FINANCE DIRECTOR

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

B. A. Aling SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

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.

M. J. Driver INDEPENDENT NON-EXECUTIVE DIRECTOR

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

S. E. Nicklin INDEPENDENT NON-EXECUTIVE DIRECTOR

Susannah Nicklin is an investment and financial services professional with 20 years of experience in executive roles at Goldman Sachs and Alliance Bernstein in the US, Australia and the UK. She has also worked in the social impact private equity sector with Bridges Ventures, the Global Impact Investing Network, and Impact Ventures UK. Susannah is the Senior Independent Director of Pantheon International plc and a Non-Executive Director of Amati AIM VCT plc and Baronsmead Venture Trust plc. She has also been appointed as a Non-Executive Director of The North American Income Trust plc with effect from 18th September 2018.

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

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

DIRECTORS' REPORT

Principal activity

City of London Investment Group PLC is the holding company for a number of subsidiaries. The principal operating subsidiary is City of London Investment Management Company Limited, which acts as an investment manager on 42 accounts (2017: 38 accounts) with a total of £3,866 million (2017: £3,580 million) under management as at 30th June 2018. Accounts may be commingled or segregated. City of London Investment Management Company Ltd has a subsidiary in Singapore and a branch in Dubai.

Going concern

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

During the year to 30th June 2018 the Group had no external borrowings and is wholly funded by equity. Accordingly, the Directors are satisfied that the Company has adequate resources to meet its business needs for the foreseeable future, and the Financial Statements have therefore been prepared on the going concern basis.

Results and dividend

The results of the Group for the year to 30th June 2018, together with details of amounts transferred to reserves, are set out on pages 64, 66 and 67. The Company has paid dividends of £6,626,078 during the period (2017: £6,047,965). The final dividend for the year to 30th June 2018 of 18p per share (2017: 17p) has been proposed, payable on 30th October 2018, subject to shareholder approval, to shareholders who are on the register of members on 12th October 2018.

Annual General Meeting

The Company's AGM will be held at 11.30am on Monday, 22nd October 2018 at 77 Gracechurch Street, London EC3V 0AS.

Directors

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

Directors' indemnity arrangements

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

Own shares

The Company is, until the date of the next AGM, generally and unconditionally authorised to buy back up to 2,686,171 of its own ordinary shares of nominal value £0.01. In the year under review the Company did not buy back any shares (2017: purchased and cancelled 35,000 shares). The Company is seeking a renewal of this authority at the 2018 AGM.

The number of own shares purchased by the Company's Employee Benefit Trust during the year was 227,742 (2017: 50,000). The number of own shares held by the Trust as at 30th June 2018 was 1,197,764 (2017: 1,477,935), of which 803,480 shares (2017: 1,062,342) 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 287,426 shares (2017: nil) in custody for employees under the terms of the Employee Incentive Plan introduced last year, see the Directors' Remuneration Report for further details of the plan.

Substantial shareholdings

At 31st July 2018, the Company had been notified of the following interests of 3% or more in the Company's ordinary shares:

Interested party	Number of shares	Percentage of issued shares
BlackRock Investment Management	2,671,624	9.9
Canaccord Genuity Group Inc	2,127,400	7.9
B M Olliff	2,025,186	7.5
The City of London Employee Benefit Trust	1,485,190	5.5
Eschaton Opportunities Fund Management LP	1,268,561	4.7
Polar Capital	1,100,000	4.1

Corporate governance

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

Corporate responsibility

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

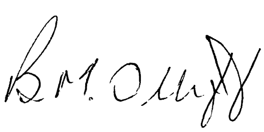
Auditors

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

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

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

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



B M Olliff
Chief Executive Officer

13th September 2018

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

The Board is committed to high standards of corporate governance and considers that it has complied with the provisions of the Code throughout the year ended 30th June 2018, except in respect of a small number of provisions that the Board considers to be incompatible with the nature and size of the Company's operations, and these are described below.

Remuneration policy

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

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

The Board believes that its remuneration policy, although not fully compliant with the Code, aligns the interests of all stakeholders and has worked well in motivating staff at all levels within the Group, and that this is demonstrated by the high employee retention rates experienced by the Group.

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

The Employee Benefit Trust and share related awards

The IA Guidelines recommend that dilutive share awards should be limited to 5% of the Company's issued share capital over a rolling 10 year period. As of 30th June 2018 there were no dilutive awards in issue (2017: nil).

In addition, the IA Guidelines recommend that no more than 5% of a Company's issued share capital be held in an Employee Benefit Trust (EBT) without prior approval by shareholders. The EBT currently has shareholder permission to hold up to 10% and the Company will be seeking to renew that permission at the next AGM. As of 30th June 2018 the EBT holding comprises 4.5% of issued share capital (2017: 5.5%). The components of which are:

	Number of shares	Percentage of issued shares
Vested options	508,230	1.9%
Unvested options	295,250	1.1%
Available for EIP awards	394,284	1.5%
	1,197,764	4.5%

The EBT will waive its right to vote in respect of shares held to cover the unvested options and this holding is capped at 5% of issued share capital. The EBT will also abstain from voting on resolutions that concern a change of control in the Company.

The EBT also holds 287,426 shares (2017: nil) in custody for employees under the terms of the EIP until such time they are forfeited or vest.

The Board

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

As detailed in the Chairman's statement, Jane Stabile joined as an independent Non-Executive Director on 1st July 2018.

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

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

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

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

At the time of his appointment as Chairman, David Cardale met the independence criteria set out in the Code, as do the other four Non-Executive Directors.

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

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

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

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

Board performance evaluation

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

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

Board diversity

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

Board training and induction

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

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

Board Committees

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

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

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

Board and Committee attendance

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

	Board	Nominations Committee	Remuneration Committee	Audit Committee
Total number of meetings between 1st July 2017 and 30th June 2018	6	2	4	3
Attendance:				
David Cardale – Chairman	6	–	–	–
Barry Aling – Non-Executive	6	2	4	3
Mark Driver – Non-Executive	6	1	4	3
Susannah Nicklin – Non-Executive	6	2	4	3
Mark Dwyer – Executive	6	–	–	–
Tom Griffith – Executive	6	–	–	–
Barry Olliff – Executive	6	–	–	–
Tracy Rodrigues – Executive	6	–	–	–

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

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

Internal control and risk management

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

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

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

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

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

Shareholder relations

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

Rights of the shareholder

The Company is financed by 26,861,707 (2017: 26,861,707) £0.01 ordinary shares carrying one vote per share and a right to dividends.

David Cardale
Chairman

13th September 2018

NOMINATION COMMITTEE REPORT

We are pleased to present the report of the Nomination Committee for the financial year ended 30th June 2018.

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

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

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

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

In light of Barry Olliff's previously announced intention to retire on 31st December 2019, the Nominations Committee has focussed on implementing a succession plan that will ensure a smooth leadership transition. To this end, we initiated the selection process for a new CEO during the first half of the fiscal year. The Nominations Committee conducted extensive meetings with the management of the Company and considered the criteria and process for appointing a successor. We carefully examined and weighed the merits of bringing in an external candidate over an internal candidate. We were impressed with the depth and quality of senior management across functions, and recognised the critical importance of continuity in approach as the Company enters this next stage of its history.

As a result of this exercise, we recommended to the Board that Mr Tom Griffith, Chief Operating Officer, become Deputy CEO. He brings extensive knowledge of the Company and its industry, the trust and respect of staff, and a work ethic second to none. This appointment was announced with the interim results on 19th February 2018. It is intended that Mr Griffith will assume the role of CEO in early 2019, and will continue to act as Group COO. Mr Olliff will remain as Group CIO through the end of 2019. We have every confidence that Mr Griffith will maintain the strong culture of team work, transparency and excellence engendered by Mr Olliff over the Company's first 27 years, and will continue to deliver outstanding returns for clients and shareholders.

Our Chairman, David Cardale, has also announced his intention to retire at the upcoming Annual General Meeting on 22nd October 2018. In light of this, the Nominations Committee considered the leadership and composition of the Board following his retirement.

After considering options and reviewing the skills and experience required for the Chairmanship, we are very pleased to have recommended to the Board that Barry Aling become the next Chairman of the Company. Mr Aling has been a Non-Executive Director of the Company since 1st August 2013, and brings deep understanding of the business and commitment to its ongoing success and development.

We would like formally to thank Mr Cardale for the wisdom and enthusiasm with which he has Chaired the Company, and for his hard work and inspired leadership over the 12 years he has been on the Board.

The Committee continues to favour having an equal balance of Non-Executive and Executive Directors on the Board, with a majority of Non-Executives if there were to be an imbalance. Therefore, we undertook a search for a replacement Non-Executive Director in the second half of the fiscal year. It was decided that this person should be based in the United States, as the client base of the Company is substantially located in the United States, plus many key functions of the business. Further, we specifically looked for someone to bring operations and technology expertise to the Board, as these functions have grown increasingly important and strategic for successful asset managers.

After meeting many outstanding candidates, we were delighted to appoint Ms Jane Stabile as Non-Executive Director, effective as of 1st July 2018. Ms Stabile is based in the United States and contributes extensive expertise to the Board as a technology consultant and successful entrepreneur.

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

NOMINATION COMMITTEE REPORT

CONTINUED

As a result of Mr Aling moving into the role of Chair from the date of the AGM, and to reflect the appointment of Ms Stabile, the Committee reviewed the composition of the Board Committees and has made the following recommendations, to be effective from 22nd October 2018.

Audit Committee

- Mark Driver, *Chair*
- Susannah Nicklin
- Jane Stabile

Remuneration Committee

- Jane Stabile, *Chair*
- Mark Driver
- Susannah Nicklin

Nomination Committee

- Susannah Nicklin, *Chair*
- Mark Driver
- Jane Stabile

Senior Independent Director

- Susannah Nicklin

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

- Barry Aling
- Mark Driver
- Susannah Nicklin
- Barry Olliff
- Tom Griffith
- Mark Dwyer
- Tracy Rodrigues

Susannah Nicklin
Chair of the Nominations Committee

13th September 2018

AUDIT COMMITTEE REPORT

I am pleased to present my report on the activities of the Audit Committee for the year ended 30th June 2018.

Terms of reference

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

The AC's key responsibilities include:

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

Membership

In accordance with the recommendation of the Code, the Committee comprises three independent Non-Executive Directors. Barry Aling chairs the AC, having been appointed on 7th October 2013 and Mark Driver was appointed on 1st July 2016. Susannah Nicklin was newly appointed to the Committee on 1st July 2017, coincident with her appointment as a Director of the Group. The Board considers that Barry Aling satisfies the Code's requirement that at least one member of the Committee should have recent and relevant financial experience, while all three members have extensive knowledge of the asset management industry and the analytical tools used in the appraisal of company reports and accounts. Abbreviated biographies of the Committee members are shown on pages 36 and 37 of this Annual Report.

Meetings and activities

In accordance with its Terms of Reference, the AC is required to meet at least three times per year and it is normal practice for such meetings to be attended also by the Group Chairman, CEO, Finance Director and Head of Compliance. The external auditor attends two meetings per year and on at least one of these occasions, will meet separately with the Committee in the absence of any Executive Directors. In addition, regular contact is maintained between AC meetings with the Finance Director and Head of Compliance, the latter providing a review of risks and control issues at each meeting. The attendance of individual members at the three AC meetings in the last financial year is shown below:

Barry Aling	3/3
Mark Driver	3/3
Susannah Nicklin	3/3

At the first meeting, held in September 2017, the Committee received a presentation of the ISA 260 audit report from Moore Stephens LLP (MS), who had been the Group's external auditor for the previous financial year to 30th June 2017. MS reported that after an extensive review of the accounting records, nothing untoward was discovered. In reference to the UK Corporate Governance Code (UKCGC), MS questioned whether there had been sufficient meetings between Non-Executive Directors and Group shareholders. MS were advised that, while regular efforts are made to arrange meetings, many shareholders had declined requests due to time pressures. In such circumstances, it is standard procedure to advise shareholders that the relevant Directors remain available should the need arise at any time, as noted in the Annual Report and as communicated to shareholders at the Annual General Meeting (AGM).

The Committee were also able to advise MS that shareholders would be invited to an Investor Day to be held in London in October 2017, at which detailed presentations would be given in respect of the Group's investment products as well as a macro-economic overview of the emerging markets.

MS noted that, as in previous years, the Group's Remuneration policy remains at variance with the UKCGC but acknowledged that the explanation given in the Annual Report provided shareholders with a detailed rationale for the policy and that this policy had been approved by shareholders at successive AGM's. MS were also able to confirm to the Committee that, in their opinion, a separate internal audit function was not required. Following the audit report, MS outlined the procedures which would need to be followed as a result of their resignation as auditors at 30th June 2017 after their 13-year tenure. The Committee thanked MS for their extensive help over that 13-year period.

The Committee received an analysis by the Chief Compliance Officer (CCO) of the Breach and Error incidence for the six months ending 30th June 2017, together with comparative data for 2016. In addition to a significant reduction in both breaches and errors, the analysis confirmed that there were no material events requiring disciplinary action or notifications to the Regulator. In addition the CCO reported that the strong culture of reporting any incidents continued to apply throughout the Group.

The meeting held in February 2018 was primarily concerned with the interim report to shareholders and a review of the AC's Terms of Reference (TOR), alongside a routine review of the CCO's report on breaches and errors. Tracy Rodrigues, Group Chief Financial Officer (CFO) briefed the AC on her discussions with the new external auditor, RSM UK Audit LLP (RSM), in relation to the interim results and report. RSM confirmed that, as they had no issues to raise in regard to the interim report, there was no need for them to attend the AC meeting. With regard to the AC TOR review, it was proposed that a member of the Group's Risk Committee (RC) should also attend AC meetings and, as chair of the RC, Ashleigh Simms, Group COO, will fulfil this function in future. It was also noted that membership of the AC is no longer confined to three three-year terms. The COO report to the Committee confirmed that breaches and errors for 2017 as a whole had maintained their downward trajectory from the previous year with no material losses, no disciplinary action and no requirement for notification to the Regulator. After further discussion, it was noted that there remained no need for an internal audit function due to the fact that the Group has no access to client funds and is of a comparatively limited size.

The third and final meeting of the year, held on 11th June 2018 included a presentation by RSM of their draft audit plan. While RSM would be required to report to the AC with comments on judgmental issues arising from their review of the financial statements and corporate governance issues, they indicated that they did not expect to discover any additional audit risks to report. The Committee outlined to RSM the Group protocols in place to monitor and control risks in such areas as fraud, money-laundering, bribery, cybersecurity and "know-your-client" procedures, following which, the Committee confirmed to RSM that they were not aware of any instances of fraud in the Group. In discussing new accounting standards, it was noted that, while there may be minor changes to the accounting treatment for leases and short-term investments, these were unlikely to have any material impact on the financial statements in the year of adoption.

In presenting a Compliance and Risk report to the AC, the COO confirmed that she had made oversight visits to the Dubai and Singapore, neither of which revealed any significant findings to report. Following the introduction of MiFID II, a new Research and Inducements policy had been established, with training sessions underway for all staff as well as appropriate changes to the Compliance Monitoring Programmes, which are undertaken quarterly. In reviewing breaches and errors, it was noted that the trend of lower incidence had continued in the second half of the financial year, with the number of incidents down by 56%. As a matter of routine, the COO provided the Committee with a summary of the procedures in place for insider training, cybersecurity, whistleblowing and personal share dealing by Non-Executive Directors, all of which were duly noted.

Financial Statements and accounting matters

In accordance with the Code, the AC reviews all financial statements prior to their discussion and approval by the Board and in light of their conformity with the appropriate accounting standards. As part of that review and confirmation that the policies set out in Note 1 of the Financial Statements on page 69 are appropriate, the Committee consulted with RSM in their role as auditors. Also detailed in Note 1 are the accounting estimates and assumptions, the most important of which relate to the calculation of share-based payment charges under the Group's Employee Share Option Scheme and the Employee Incentive Plan. The Committee has sought and received confirmation from RSM through the audit process that such charges are reflected appropriately in the statements. Further details regarding such charges and the assumptions used can be found on pages 83 and 84.

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

US state taxes

Further to the US state tax review conducted in 2016/2017, the Committee kept abreast of the position regarding the requisite US state tax filings which to date have not resulted in any material adjustment to the provision made in last year's financial statements.

Risk management review

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

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

The monitoring of the controls necessary to comply with these mandates represents the core function of the compliance and control team, led by the Head of Compliance, Ashleigh Simms, who has extensive experience in the asset management industry and who attends AC meetings as a matter of course. As noted above, the incidence of breaches and errors in the last financial year was significantly lower than the previous year with no necessity for disciplinary action against any employees or notification to the Regulator. All incidents require a "Breach and Error" report and the Group's policy is to ensure that no client, investor or fund is financially disadvantaged by any incident for which CLIG is responsible.

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

For the year to 30th June 2018, the Committee is satisfied that the Register has been appropriately amended and maintained and that the training procedures in place adequately reflect such amendments and the remedies applied.

Non-audit services

Consistent with an overriding need to ensure independence and objectivity, the Committee exercises great care to minimise the use of the external auditor for non-audit services, following a policy of using third-party advisers wherever possible. While there may be occasions when it is either necessary or practicable to use the external auditor for non-audit services alongside the annual audit, no such services have been required in the current year to 30th June 2018.

External auditor

In order to comply with the revised European Audit requirements introduced in 2016 concerning auditor rotation, the decision was taken in the previous financial year to appoint a new auditor for the year to 30th June 2018 as noted above. Following a tender process in 2017 and shareholder approval at the October 2017 AGM, RSM were appointed as the external auditor to the Group and each of its subsidiaries.

Barry Aling
Chairman

13th September 2018

DIRECTORS' REMUNERATION REPORT

THE REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

Terms of reference

The Firms Remuneration Policy was reviewed in 2017. It outlines the firm's remuneration practices and how the firm adheres to its regulatory responsibilities, but perhaps more importantly, it explains 'why' we do what we do, not just 'how'. This is in keeping with the culture of the Firm – in being completely transparent with all its stakeholders. The policy is designed to meet three objectives: First, the policy meets the requirements of the FCA Remuneration Code for an Alternative Investment Fund Manager ('AIFM'); secondly, how the remuneration practice within the Firm operates; and third, the remuneration 'hierarchy' / responsibilities within the firm.

The policy has been developed over a significant period of time and evidence shows that it actually encourages staff loyalty, a high regard for risk management, while aligning the interests of key stakeholders including management, employees, clients, shareholders and regulators in an open and transparent way.

Composition

The Remuneration Committee, comprised solely of Non-Executive Directors, approves and oversees the firm's remuneration policies. The Committee approves the salaries and bonuses of the Executive Directors and the Firm's Chairman, including pension rights and any compensation payments for any employee earning over £100,000, all Code Staff and, for reasons of managing potential conflicts of interest, the Head of Compliance.

Compliance

This report has been prepared in accordance with the regulations governing the disclosure and approval of Directors' remuneration. It sets out all aspects of remuneration in respect of the Company's Directors.

We are pleased to announce that the remuneration policy complies with the FCA Remuneration Code within SYSC 19B, incorporating the ESMA guidelines for sound remuneration policies for Alternative Investment Fund Managers (AIFM).

It takes into account the following factors:

- Volatility of earnings – As the Group invests primarily in Global Emerging Markets, its revenues and profits can be unpredictable and volatile.
- Due to the volatility of earnings, base salaries are kept on the lower side of what might be considered industry average but reflect the size of the business and the individual employee's role and experience.
- All employees have the opportunity to share in the success of the firm by way of variable remuneration, via profit share and the Employee Incentive Plan (EIP), established to align incentives with the long-term interests of shareholders.
- The balance between the fixed and variable components of total remuneration must therefore be appropriate to enable the professional operation of the business and retention of staff.
- The bonus scheme for all employees, including the Executive Directors, is linked to the Groups profitability, allocating a maximum of 30% of the pre-tax and bonus operating profit for this purpose. The Board believe that this is the best way to align employee and shareholder interests.
- The bonus entitlement of Executive Directors is capped as a percentage of pre-tax, pre-bonus operating profit to a maximum of 5% for the CEO, Barry Olliff, and 2.5% for all other Executive Directors, and the Group operates a claw back provision for specified actions including failures of risk management, misconduct or other similar actions.
- Variable remuneration is paid on a team basis. The Firm believes that no individual is solely responsible for the performance of their area and therefore remuneration must take into account how that individual contributes to the overall team effort.
- Finally, the Group provides defined contribution pension arrangements to assist with recruitment and retention of staff. Guaranteed compensation is only offered to new employees in exceptional circumstances and for a limited time period.

As you can appreciate the most fundamental effect on total compensation for employees and management is the overall profitability of the Group, which in turn is highly dependent on Funds under Management ("FuM"), this in turn is determined by the investment performance and the attractiveness of the Group's products and services to current and new investors.

Discretion is viewed as being critically important within the overall compensation philosophy, while giving consideration to balancing the interests of all stakeholders: shareholders, clients, employees and management.

This annual report on remuneration provides details on remuneration for the year to end June 2018 and which will be subject to an advisory shareholder vote at the 2018 Annual General Meeting (AGM).

Long-Term Incentive Plan

The Remuneration Committee believe that the Employee Incentive Plan (EIP), approved by shareholders and introduced in 2016, provides an appropriate motivational framework that closely aligns the interests of employees with the performance of the Company and the interests of all stakeholders, including shareholders and clients.

Participation in the Plan is offered to all those who participate in the Company's annual bonus arrangements and therefore excludes Non-Executive Directors. Those eligible are offered the chance to waive up to 20% (or up to 30% if there is headroom within the cap agreed by shareholders) of their annual cash bonus in return for share awards of two times the amount waived. The ordinary shares awarded under the Plan are purchased in the open market and vest over a three-year period, with one third vesting each year. The Plan is linked to the Group's profitability, and for the first four years is capped at 5% of pre-tax, pre-bonus operating profit to cover the charge of matching shares. Thereafter, the Plan will fall within the 30% limit of the profit-share pool. Awards made under the EIP are forfeited if the individual leaves the firm before they have vested.

The first awards under the EIP were made in October 2017 when over 60% of employees subscribed to the Plan, and we have seen similar take-up in each year since, culminating in employee participation in the most recent 2018/19 financial year being c.65% of employees. This is a tremendous endorsement of the employee's long-term support for the Group and we hope that they will remain long-term shareholders.

Included with this report is a more complete description of base salary, bonus provisions, and other benefits for both Executive and Non-Executive Directors. Notwithstanding these provisions, the Remuneration Committee reserves the discretion to take into account exceptional circumstances in determining the appropriate application of this policy, either as an increase or decrease in specific cases. If the Committee does make any such variation, the rationale will be fully explained to shareholders.

We believe that the Firm's Remuneration Policy has served clients, employees and shareholders extremely well over recent years and we therefore recommend this report to shareholders for approval at the AGM.

Mark Driver
Chairman of the Remuneration Committee

13th September 2018

ANNUAL REPORT ON REMUNERATION

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

The Group's remuneration policy as summarised in the Policy table on pages 55 to 57 will govern future remuneration to be awarded to Directors.

Single total figure of remuneration for each Director

2017/2018	Fees/salary £	Profit share £	Waived profit share £	EIP awards £	Pension £	Health insurance £	Year to 30th June 2018 £
Non-Executive							
D Cardale	50,000	–	–	–	–	–	50,000
B Aling	45,000	–	–	–	–	–	45,000
M Driver	40,000	–	–	–	–	–	40,000
S Nicklin	40,000	–	–	–	–	–	40,000
	175,000	–	–	–	–	–	175,000
Executive							
Barry Olliff	267,258	804,449	–	–	33,407	3,532	1,108,646
T W Griffith	217,476	478,719	(147,195)	177,400	27,185	4,388	757,973
M D Dwyer	209,000	461,000	(138,300)	176,520	26,125	4,104	738,449
T A Rodrigues	150,500	350,000	(70,000)	102,561	18,813	1,870	553,744
	844,234	2,094,168	(355,495)	456,481	105,530	13,894	3,158,812
Total	1,019,234	2,094,168	(355,495)	456,481	105,530	13,894	3,333,812

2016/2017	Fees/salary £	Profit share £	Waived profit share £	EIP awards £	Pension £	Health insurance	Year to 30th June 2017 £
Non-Executive							
D Cardale	50,000	–	–	–	–	–	50,000
A Bufferd	45,000	–	–	–	–	–	45,000
B Aling	40,000	–	–	–	–	–	40,000
M Driver	40,000	–	–	–	–	–	40,000
	175,000	–	–	–	–	–	175,000
Executive							
Barry Olliff	282,975	716,133	–	–	35,372	4,199	1,038,679
T W Griffith	227,952	424,975	(89,482)	–	28,494	4,199	596,138
M D Dwyer	209,000	410,000	(88,260)	–	26,125	4,270	561,135
T A Rodrigues	121,000	353,000	(51,280)	–	15,125	1,913	439,758
	840,927	1,904,108	(229,022)	–	105,116	14,581	2,635,710
Total	1,015,927	1,904,108	(229,022)	–	105,116	14,581	2,810,710

Non-Executive Directors fees

The Non-Executive Directors' fees were last adjusted in July 2015. The following fee structure is applicable for the year to 30th June 2018:

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

Executive Directors salary

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

1. B M Olliff, CEO – voluntarily elected not to receive a pay rise. His salary is paid in US dollars and reported in sterling. The difference is due to a stronger pound to the US dollar this year compared to last year.
2. T W Griffith, COO – received a pay rise of 2% as of 1st January 2018, therefore six months at the increased salary this year. Offset by exchange rate differences as his salary is paid in US dollars and reported in sterling.
3. M D Dwyer, EM CIO – voluntarily elected not to receive a pay rise.
4. T A Rodrigues, Finance Director – received a salary increase of 49% as of 1st January 2018, to better reflect her increased responsibility and bring it in line with comparable salaries within the sector.

None of the Directors received a pay increase last year.

Profit share

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

Barry Olliff is entitled under his service agreement to a bonus equal to 5% of the pre-tax profits of the Company, and payment of this entitlement is covered by Mr Olliff 's allocation from the maximum 30% bonus pool. Barry Olliff received 4.2% for the period under review (2017: 4.2%). The 4.2% of pre-tax profits for the period under review was the result of a voluntary agreement between Barry Olliff and the Remuneration Committee to give priority consideration to other stakeholders.

Deferred profit share payments

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

	2018		2017	
	£	% of annual award	£	% of annual award
B M Olliff	32,748	4%	30,265	4%
T W Griffith	19,565	4%	9,017	2%
M D Dwyer	17,860	4%	8,714	2%
T A Rodrigues	13,590	4%	10,312	3%

These amounts are included in the profit share reported in the table on page 50.

Employee Incentive Plan (EIP)

The EIP was approved by shareholders at the October 2016 AGM and adopted by the Group in December. It is open to employees of all Group companies, including Executive Directors. Participants are invited to waive up to 20% (or up to 30% if there is headroom within the cap agreed by shareholders) of their annual bonus in return for the right to participate in the EIP for the relevant financial year. Under the EIP, they are granted Restricted Share Awards (RSAs) over shares in the Company equal in value to 2 times the amount they have waived.

The RSAs in respect of the waived profit share disclosed in the Directors' remuneration table on page 50 will be granted in October 2018.

The EIP awards shown in the same table reflect RSAs issued in October 2017 that relate to profit share waived for the 2016/17 financial year.

The RSAs vest one-third each year over a three year period and accrue an amount equal to the dividend that the Director would have received had they been the shareholder from the date of grant.

The EIP is linked to the Group's profitability, and for the first four years (until June 2020) is capped at 5% of pre-bonus, pre-tax, operating profit to cover the charge of the matching shares. Thereafter, the EIP will fall within the 30% limit of the profit share pool. For further details see the Policy table on page 56.

Pension

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

Taxable benefits

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

Payments to past Directors

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

Payments for loss of office

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

Summary of share option plan interests

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

	Number of options									
	Held 2017	Exercised during the period	Granted during the period	Held 2018	Exercise price £	Price at grant £	Face value at grant £	Vesting period	Vesting date	Expiry date
T W Griffith	8,000	–	–	8,000	2.3	2.3	18,400	3 yrs	05/06/2012	05/06/2019
	12,500	–	–	12,500	3.14	3.14	39,250	3 yrs	18/01/2013	18/01/2020
	7,500	–	–	7,500	3.625	3.625	27,188	3 yrs	13/10/2013	13/10/2020
	5,000	–	–	5,000	4.03	4.03	20,150	3 yrs	05/04/2014	05/04/2021
	6,000	–	–	6,000	3.4875	3.4875	20,925	3 yrs	04/11/2014	04/11/2021
	17,000	–	–	17,000	2.55	2.5	42,500	3 yrs	30/01/2017	30/01/2024
Vested	56,000	–	–	56,000						
	23,500	–	–	23,500	3.52	3.52	82,720	3 yrs	19/06/2018	19/06/2025
Unvested	23,500	–	–	23,500						
Total	79,500	–	–	79,500						
M Dwyer	50,000	–	–	50,000	3.6	3.6	180,000	3 yrs	03/05/2015	03/05/2022
	5,500	–	–	5,500	2.55	2.5	13,750	3 yrs	30/01/2017	30/01/2024
Vested	55,500	–	–	55,500						
	17,500	–	–	17,500	3.52	3.52	61,600	3 yrs	19/06/2018	19/06/2025
Unvested	17,500	–	–	17,500						
Total	73,000	–	–	73,000						
T A Rodrigues	3,000	–	–	3,000	3.625	3.625	10,875	3 yrs	13/10/2013	13/10/2020
	3,000	–	–	3,000	4.03	4.03	12,090	3 yrs	05/04/2014	05/04/2021
	4,000	(4,000)	–	–	3.4875	3.4875	–	3 yrs	04/11/2014	04/11/2021
Vested	10,000	(4,000)	–	6,000						
	17,500	–	–	17,500	3.52	3.52	61,600	3 yrs	19/06/2018	19/06/2025
Unvested	17,500	–	–	17,500						
Total	27,500	(4,000)	–	23,500						

The closing market price of the Company's ordinary shares at 30th June 2018 was £4.10 (2017: £4.0625) and the price moved during the year between a low of £3.91 to a high of £4.54 (2017: low £3.0225 high £4.065).

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

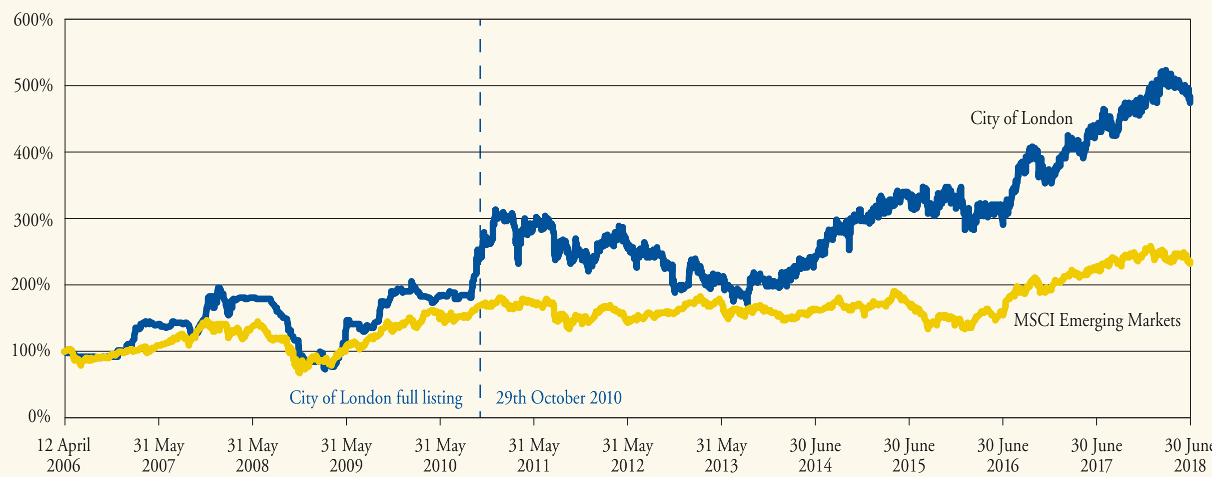
	Ordinary Shares of		Restricted Share Awards of	
	1p each 2018	1p each 2017	1p each 2018	1p each 2017
B M Olliff	2,025,186	2,275,186	–	–
T W Griffith	284,425	284,425	43,554	–
T A Rodrigues	98,219	94,219	25,180	–
B A Aling (Non-Executive)	94,300	94,300	–	–
D M Cardale (Chairman) (Non-Executive)	53,125	53,125	–	–
M D Dwyer	34,962	34,962	43,338	–
S E Nicklin (Non-Executive) (appointed 01.07.17)	1,332	–	–	–
M J Driver (Non-Executive)	–	–	–	–

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

Total shareholder return

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

Total shareholder return (dividends reinvested) from date of listing on AIM to 30th June 2018 (GBP)



Source: *Bloomberg.*

Overview | Strategic report | Corporate governance | Financial statements | Shareholder information

Chief Executive Officer single figure

The following table shows the total remuneration of Barry Olliff, CEO for the last nine financial years.

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

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

Notes:

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

(2) In 2015 the Directors Remuneration Policy was amended to include a cap on bonuses paid to Directors and the CEO's cap was set at 5% of pre-bonus, pre-tax operating profit. For comparison purposes prior years' annual bonuses are shown as a percentage of 5% of pre-bonus, pre-tax operating profit each year.

Percentage change in the remuneration of the CEO and employees

The table below shows the change in Barry Olliff 's salary, benefits and bonus in comparison with the Group's employees as a whole.

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

Comparison of percentage change in value from 2017 to 2018	CEO	Group employees
Salary	-6%	-3%
Health Insurance	-16%	0%
Annual bonus awards	12%	11%

Note:

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

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

As an example, Barry Olliff has not taken a salary increase for over 10 years, therefore the -6% movement shown in the table above represents the reduced cost to the Company due to the movement in the US dollar / sterling rate, and not a reduction in salary.

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.

	2018 £	2017 £	% change
Total employee spend	14,066,857	13,153,914	7%
Average headcount	73	72	1%
Profit after tax	10,060,343	9,289,755	8%
Dividends relating to the period *	6,863,225	6,357,472	8%

* The current period includes an estimate of the final dividend based on the number of qualifying shares as at 30th June 2018. The Board are recommending an increase in this year's final dividend, which would make the total for the year 27p per share (2017: 25p per share). This is subject to shareholder approval at the AGM in October. The prior period estimate has been restated to include the actual final dividend paid.

A breakdown of the employee spend can be found in note 5 to the financial statements on page 74.

Remuneration Committee

During the period under review, the members of the Remuneration Committee were Mark Driver (Chairman of the Committee), Barry Aling and Susannah Nicklin. The Remuneration Committee meets formally at least four times a year and otherwise as required. During the year to 30th June 2018 the scheduled Committee meetings were principally to review and approve the quarterly assessment of the profit share pool, and allocations therefrom to Executive Directors and senior employees, and the semi-annual salary review including both the overall level of awards and individual awards to Executive Directors and senior employees. In addition, the Committee reviewed the level of employee participation in the EIP to ensure it remained within the limits of the plan rules. Both the Chairman of the Company and the CEO are invited to attend the meetings to assist the Committee with its deliberations. The Finance Director attends in her capacity as secretary to the Committee. None of the Executive Directors are in attendance during discussions regarding their own remuneration.

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

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

The resolutions seeking approval of the Remuneration Annual Report at the AGM in October 2017 received the following votes.

	Annual report	
	Number of votes	Percentage of votes cast
For*	10,275,930	83.5%
Against	2,031,077	16.5%
Total votes cast	12,307,007	
Votes withheld	6,581	

* includes discretionary votes

DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy (the "policy") was approved by shareholders at the AGM in October 2016, and will remain in force until the 2019 AGM unless material changes are proposed in the intervening period. For convenience, the following is an overview of the approved policy.

Policy overview

The Remuneration Committee is responsible for determining the Group's policy on Directors' remuneration and other managers. The Committee's terms of reference may be found on the Group's website at www.citlon.co.uk/investor-relations/investor-reports/RC_TOR.pdf.

Policy table

The table below summaries the principal components of the Group's remuneration policy for Directors.

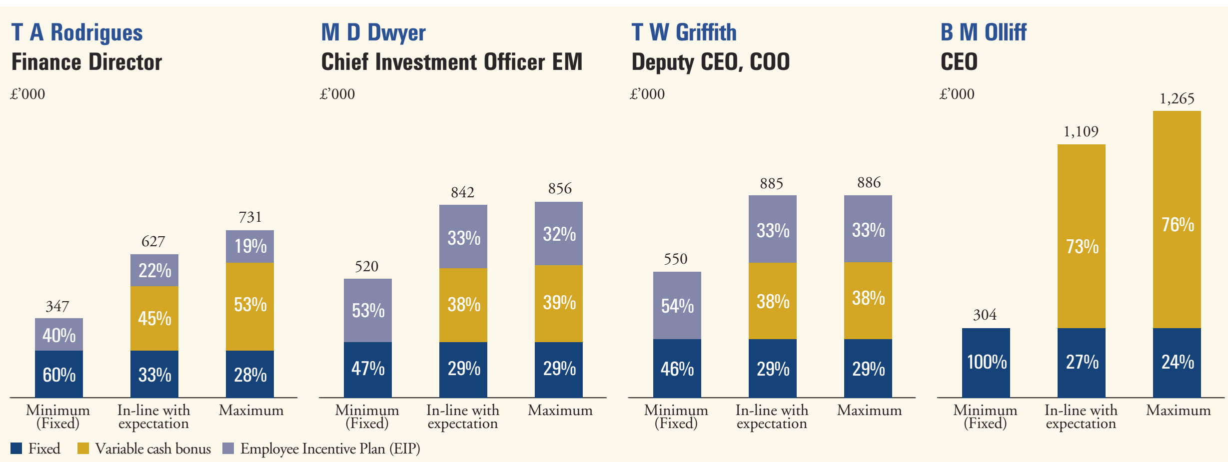
Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS				
Base salary (fixed pay)				
To pay a fair base salary, commensurate with the size of the business and the individual's role and experience.	Revised semi-annually, with changes, if any, 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.

Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS continued				
Pension (fixed pay)				
To provide defined contribution pension arrangements to assist with recruitment and retention.	Employer contributions are made to defined contribution pension arrangements or equivalent cash allowances are paid, subject to local practice in the relevant country.	The maximum defined pension contribution or cash equivalent is 12.5% per annum of base salary.	Not applicable.	Not applicable.
Other benefits (fixed pay)				
To provide market competitive fringe benefits.	Currently benefits offered include: life insurance, medical insurance (or a contribution towards the cost), disability insurance, paid holiday/sabbatical and travel season ticket loans. Additional benefits may be provided if required, for example to support international relocation.	These benefits represent a small element of the overall remuneration package and as such are not subject to a specific cap. Directors are entitled to 30 days paid holiday, in addition to public holidays. Mr Olliff is also entitled to an annual sabbatical of up to six weeks, with pay and benefits.	Not applicable.	Benefits are provided up to termination of employment and any outstanding travel season ticket loan is repayable in full.
Discretionary bonus (variable pay)				
To incentivise and reward Directors for their contribution to the corporate goals outlined in the strategic report.	The Company operates a bonus plan for all employees, including the Executive Directors, that is linked to the Group's profitability, allocating a maximum of 30% of pre-bonus, pre-tax, operating profit for this purpose. Bonus awards are made by the Board following recommendations by the Remuneration Committee. Bonuses are paid quarterly in September (approximately 10% of the estimated annual bonus), December (20%), March (30%) and July (40%). A minimum of 10% of the July payment is deferred until September once the financial statements have been audited and approved.	The maximum payment to each Executive Director is capped at 2.5% of pre-bonus, pre-tax operating profit of the Group, except for Barry Olliff whose entitlement is capped at 5% of the pre-bonus, pre-tax operating profit, of the Group, provided, however, those profits exceed £500,000.	Bonuses are not subject to individual performance conditions and are paid in cash. Although this remuneration policy does not comply with the UK Corporate Governance Code, the Board believes that this bonus scheme has worked well in motivating staff at all levels within the Company and that this is demonstrated by the high employee retention rates experienced by the Group.	No profit share shall be payable for any year in which employment is terminated or at any time after the Director has given or received notice of termination. This relates to all Executive Directors except Barry Olliff whose contract provides that he will be entitled to a proportion of the bonus to which he would have been entitled had he been employed for the whole year.
Clawback				
To ensure that bonus awards do not encourage excessive risk.	The Committee can seek to recover the annual bonus in the exceptional event of: misstatement or misleading representation of performance; a significant failure of risk management and control; or serious misconduct of an individual.	The Committee has discretion to determine the amount of any award which it seeks to clawback.	Not applicable.	Not applicable.
Employee Incentive Plan ("Plan")				
To encourage and reward loyalty, and to align the long-term interests of Directors with that of shareholders and clients. The Plan is designed to work in line with the Group's current annual bonus policy.	The Plan is open to employees of all Group companies and 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) over shares in the Company equal in value to 2 x the amount they have waived. The Plan is linked to the Group's profitability, and for the first four years is capped at 5% of pre-bonus, pre-tax, operating profit to cover the charge of matching shares. Thereafter, the Plan will fall within the 30% limit of the profit-share pool.	Depending on the level of participation, if there is headroom within the 5% of pre-bonus, pre-tax operating profit, employees and 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.	Not applicable.	The restricted share awards will vest 1/3 each year over a three year period. The RSAs are funded 50% by waived bonus and 50% by the Company. In the event of termination before the normal vesting date, the RSAs funded by the waived bonus, will be repaid at the lower of the value of those shares on the date of award and the date of forfeiture. The Company funded RSAs will be forfeited upon termination, except in the case of a good leaver (see ESOP section below), where there will be an entitlement to a pro-rated amount.
ESOP				
To encourage both Director and employee share ownership and align their long-term interests with that of shareholders.	The Board are no longer granting awards under the ESOP as this plan has effectively been replaced by the EIP. Details of the ESOP are provided here for information. The last award granted was in June 2015. The awards have a ten year life span.	The Employee Benefit Trust is currently permitted to hold up to 10% of the issued share capital of the Company. Executive Director annual awards are limited to 50% of base salary.	Option awards are made by the Board following recommendations by the Remuneration Committee.	Options held will lapse upon termination except for good leavers who may exercise their options within six months commencing from the date they ceased to be a Director. A good leaver is a Director who leaves due to ill health or disability, sale of the business, on retirement, through redundancy or in other special circumstances approved by the Remuneration Committee (acting fairly and reasonably). Under the rules of the new option scheme adopted in June 2015, options may be exercised up to 90 days after termination.

Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
NON-EXECUTIVE DIRECTORS				
Base fees				
To pay a fair fee, commensurate with the skills, experience and time required to undertake the role.	Base fees are reviewed periodically, with the last review having been taken in April 2015 and the recommended increments effective from 1 July 2015. Fees are paid monthly or quarterly in arrears, depending on Director preference. There has been no decision as to when these fees will next be revised.	The aggregate annual fees are limited to £250,000 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.	Not applicable.	Not applicable.
Benefits				
There are no retirement or post retirement employment benefits to Non-Executive Directors nor do they participate in any of the Group's incentive arrangements.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

Reward scenarios

The following charts are designed to illustrate each Executive Director's remuneration under the terms of the policy given a set of assumptions for the next full financial year, being that ending 30th June 2018.



Assumptions:
1) Based on the 2018 results
2) Minimum – reflects current salary, pension and taxable benefits, as disclosed in the single figure remuneration table. Plus expected dividend equivalent payments due on vesting EIP awards. These costs are considered fixed pay i.e. are not linked to annual performance.
Also included are the Restricted Share Awards (RSAs) due to be granted in October 2018, based on each Director's waived profit share, as disclosed in the single figure remuneration table.
3) In-line with expectation - reflects the minimum remuneration plus the profit share disclosed in the single figure remuneration table.
4) Maximum – reflects the minimum remuneration plus the maximum bonus opportunity as detailed in the future policy table.
5) EIP – RSAs are granted under the Group's EIP and will vest one third each year on the anniversary of the grant date. A summary of the terms of the EIP are detailed in the Policy table.

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

Barry Olliff, who is currently the major shareholder in the Company, is due to retire in 2019. It should be noted that Barry Olliff has always had a profit focused incentive and the terms of his employment agreement are that his participation in the firm's profits should be 5% on an annual basis. After discussion with the Remuneration Committee he voluntarily reduced this to 4.2% for the period ending 30th June 2018. It should also be noted that Mr. Olliff 's salary has not increased for over 10 years.

Consideration of employment conditions elsewhere in the Group

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

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

Recruitment of new Directors

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

The Group does not normally award guaranteed annual bonuses, however if when recruiting the Committee believes it is necessary, a guaranteed bonus may be offered for the first 12 months of service only. In general, the bonus would not exceed one year's salary. However, the Remuneration Committee reserves the discretion to take into account exceptional circumstances in determining the appropriate application of this policy limit, in which case the rationale for any such payment exceeding the policy limit would be explained to the shareholders as a point of information.

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

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

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

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

Name	Date of contract/ letter of appointment	Notice period from Company	Notice period from Director	Provision of compensation for loss of office
Executive Directors				
Barry Olliff	9th June 2014	One year	One year	One year's salary
Tom Griffith	1st February 2013	One year	One year	One year's salary
Tracy Rodrigues	19th October 2015	One year	One year	One year's salary
Mark Dwyer	19th October 2015	One year	One year	One year's salary
Non-Executive Directors				
David Cardale	6th April 2006	Six months	Six months	Six months fees
Barry Aling	1st August 2013	Six months	Six months	Six months fees
Mark Driver	1st July 2016	Six months	Six months	Six months fees
Susannah Nicklin	1st July 2017	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 at the AGM.

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

Mark Driver
Chairman of the Remuneration Committee

13th September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

Directors' statement pursuant to the Disclosure and Transparency Rules

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

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

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

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

For and on behalf of the Board

Barry Olliff
Chief Executive Officer

13th September 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITY OF LONDON INVESTMENT GROUP PLC

Opinion

We have audited the financial statements of City of London Investment Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30th June 2018 which comprise the Consolidated Income statement, Consolidated and Company statement of Comprehensive Income, Consolidated and Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated and Company cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30th June 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 26 and 27 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 25 in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 38 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 30 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Accuracy and completeness of management fees
Risk:
As described in the accounting policies on page 73 management fees are based on a percentage of funds under management in accordance with the respective investment management agreement. There is a risk of management fee income being inaccurate or incomplete if incorrect funds under management or incorrect percentages are used.

How the scope of our audit responded to the risk:
Our audit work included testing a sample of management fees from the fund listing through the posting of the income in the general ledger detail. This testing included; obtaining third party confirmations of the relevant month-end Net Asset Value (NAV), reviewing the Investment Manager Agreements (IMA) in place for key inputs into the calculation and recalculating the expected management fee based on the NAV and % fee income documented in the IMA.

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

Breach of investment mandates
Risk:
The Group is responsible for managing assets in accordance with mandates specified by its clients. There is a risk of financial and reputational loss for the Group if it trades or invests outside the scope of the mandates.

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

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

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

How the scope of our audit responded to the risk:
Our audit work included reviewing the controls in place to ensure ongoing compliance with the FCA including reporting to the Board. In addition, we completed specific work on compliance with the FCA laws and regulations.

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

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £711,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

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

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 59, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 59 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 45 to 47 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on pages 40 to 42 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 59, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other matters which we are required to address

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

The period of total uninterrupted engagement is 1 year, covering the year ending 30th June 2018.

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

14th September 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2018

	Note	Year to 30th June 2018 £	Year to 30th June 2017 £
Revenue			
Gross fee income	4	33,930,846	31,294,370
Commissions payable		(1,159,580)	(1,444,787)
Custody fees payable		(1,164,477)	(880,840)
Net fee income		31,606,789	28,968,743
Administrative expenses			
Staff costs	5(b)	14,066,857	13,153,914
Other administrative expenses		4,717,139	4,074,975
Depreciation and amortisation		294,799	230,635
		(19,078,795)	(17,459,524)
Operating profit	7	12,527,994	11,509,219
Interest receivable and similar gains	8	264,501	81,135
Profit before taxation		12,792,495	11,590,354
Income tax expense	9	(2,732,152)	(2,449,217)
Profit for the period		10,060,343	9,141,137
Profit attributable to:			
Non-controlling interests		–	(148,618)
Equity shareholders of the parent		10,060,343	9,289,755
Basic earnings per share	10	39.5p	36.9p
Diluted earnings per share	10	39.3p	36.7p

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2018

	Group		Company	
	Year to 30th June 2018 £	Year to 30th June 2017 £	Year to 30th June 2018 £	Year to 30th June 2017 £
Profit for the period	10,060,343	9,141,137	9,888,536	8,629,630
Items which may be reclassified through the profit or loss:				
Fair value gains on available-for-sale investments*	1,694	158,597	1,826	158,227
Release of fair value gains on disposal of available-for-sale investments*	(154,384)	(253)	(153,819)	(253)
Foreign exchange (losses)/gains on non-monetary assets	(20,884)	33,732	–	–
Other comprehensive (loss)/income	(173,574)	192,076	(151,993)	157,974
Total comprehensive income for the period	9,886,769	9,333,213	9,736,543	8,787,604
Attributable to:				
Equity shareholders of the parent	9,886,769	9,481,831	9,736,543	8,787,604
Non-controlling interests	–	(148,618)	–	–

*Net of deferred tax, detailed in note 19.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

30TH JUNE 2018

	Note	Group		Company	
		30th June 2018 £	30th June 2017 £	30th June 2018 £	30th June 2017 £
Non-current assets					
Property and equipment	11	450,241	560,774	125,917	147,517
Intangible assets	12	292,037	360,283	47,333	20,407
Other financial assets	13	38,170	34,660	1,069,930	834,105
Deferred tax asset	14	119,078	216,693	40,011	64,719
		899,526	1,172,410	1,283,191	1,066,748
Current assets					
Trade and other receivables	15	5,833,160	5,857,896	14,397,266	8,248,782
Available-for-sale financial assets	16	–	915,649	–	915,649
Other financial assets	17	195,112	135,547	195,112	135,547
Current tax receivable		–	–	835,385	634,890
Cash and cash equivalents		19,704,111	13,936,558	225,806	180,938
		25,732,383	20,845,650	15,653,569	10,115,806
Current liabilities					
Trade and other payables	18	(4,801,433)	(3,402,681)	(3,843,071)	(1,219,878)
Current tax payable		(361,021)	(418,513)	–	–
Creditors, amounts falling due within one year		(5,162,454)	(3,821,194)	(3,843,071)	(1,219,878)
Net current assets		20,569,929	17,024,456	11,810,498	8,895,928
Total assets less current liabilities		21,469,455	18,196,866	13,093,689	9,962,676
Non-current liabilities					
Deferred tax liability	19	(3,221)	(115,774)	(3,221)	(115,774)
Net assets		21,466,234	18,081,092	13,090,468	9,846,902
Capital and reserves					
Share capital	20	268,617	268,617	268,617	268,617
Share premium account	21	2,256,104	2,256,104	2,256,104	2,256,104
Investment in own shares	21	(4,699,115)	(4,355,887)	(4,699,115)	(4,355,887)
Fair value reserve	21	13,731	166,421	13,731	165,724
Share option reserve	21	372,762	442,379	372,762	442,379
EIP share reserve	21	605,707	101,497	605,707	101,497
Foreign exchange reserve	21	88,255	109,139	–	–
Capital redemption reserve	21	23,097	23,097	23,097	23,097
Retained earnings	21	22,537,076	19,069,725	14,249,565	10,945,371
Total equity		21,466,234	18,081,092	13,090,468	9,846,902

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 £9,888,536 (2017: £8,629,630).

The Board of Directors approve and authorise for issue these financial statements on 13th September 2018.

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

B M Olliff

Barry Olliff
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2018

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	EIP share reserve £	Foreign exchange reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	Non-controlling interest £	Total £
At 30th June 2016	268,967	2,256,104	(5,298,916)	8,077	563,350	–	75,407	22,747	15,593,570	13,489,306	631,943	14,121,249
Profit for the period	–	–	–	–	–	–	–	–	9,289,755	9,289,755	(148,618)	9,141,137
Comprehensive income	–	–	–	158,344	–	–	33,732	–	–	192,076	–	192,076
Total comprehensive income	–	–	–	158,344	–	–	33,732	–	9,289,755	9,481,831	(148,618)	9,333,213
Transactions with owners												
Derecognisation of NCI investment	–	–	–	–	–	–	–	–	–	–	(483,325)	(483,325)
Share option exercise	–	–	1,132,727	–	(147,464)	–	–	–	147,464	1,132,727	–	1,132,727
Purchase of own shares	–	–	(189,698)	–	–	–	–	–	–	(189,698)	–	(189,698)
Share cancellation	(350)	–	–	–	–	–	–	350	(128,007)	(128,007)	–	(128,007)
Share-based payment	–	–	–	–	26,493	–	–	–	–	26,493	–	26,493
EIP provision	–	–	–	–	–	101,497	–	–	–	101,497	–	101,497
Deferred tax	–	–	–	–	–	–	–	–	124,750	124,750	–	124,750
Current tax on share options	–	–	–	–	–	–	–	–	90,158	90,158	–	90,158
Dividends paid	–	–	–	–	–	–	–	–	(6,047,965)	(6,047,965)	–	(6,047,965)
Total transactions with owners	(350)	–	943,029	–	(120,971)	101,497	–	350	(5,813,600)	(4,890,045)	(483,325)	(5,373,370)
At 30th June 2017	268,617	2,256,104	(4,355,887)	166,421	442,379	101,497	109,139	23,097	19,069,725	18,081,092	–	18,081,092
Profit for the period	–	–	–	–	–	–	–	–	10,060,343	10,060,343	–	10,060,343
Comprehensive income	–	–	–	(152,690)	–	–	(20,884)	–	–	(173,574)	–	(173,574)
Total comprehensive income	–	–	–	(152,690)	–	–	(20,884)	–	10,060,343	9,886,769	–	9,886,769
Transactions with owners												
Share option exercise	–	–	637,799	–	(83,312)	–	–	–	83,312	637,799	–	637,799
Purchase of own shares	–	–	(981,027)	–	–	–	–	–	–	(981,027)	–	(981,027)
Share-based payment	–	–	–	–	13,695	–	–	–	–	13,695	–	13,695
EIP provision	–	–	–	–	–	504,210	–	–	–	504,210	–	504,210
Deferred tax	–	–	–	–	–	–	–	–	(100,430)	(100,430)	–	(100,430)
Current tax on share options	–	–	–	–	–	–	–	–	50,204	50,204	–	50,204
Dividends paid	–	–	–	–	–	–	–	–	(6,626,078)	(6,626,078)	–	(6,626,078)
Total transactions with owners	–	–	(343,228)	–	(69,617)	504,210	–	–	(6,592,992)	(6,501,627)	–	(6,501,627)
At 30th June 2018	268,617	2,256,104	(4,699,115)	13,731	372,762	605,707	88,255	23,097	22,537,076	21,466,234	–	21,466,234

COMPANY STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2018

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	EIP share reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £
At 30th June 2016	268,967	2,256,104	(5,298,916)	7,750	563,350	–	22,747	8,355,845	6,175,847
Profit for the period	–	–	–	–	–	–	–	8,629,630	8,629,630
Comprehensive income	–	–	–	157,974	–	–	–	–	157,974
Total comprehensive income	–	–	–	157,974	–	–	–	8,629,630	8,787,604
Transactions with owners									
Share option exercise	–	–	1,132,727	–	(147,464)	–	–	69,349	1,054,612
Purchase of own shares	–	–	(189,698)	–	–	–	–	–	(189,698)
Share cancellation	(350)	–	–	–	–	–	350	(128,007)	(128,007)
Share-based payment	–	–	–	–	26,493	–	–	–	26,493
EIP provision	–	–	–	–	–	101,497	–	–	101,497
Deferred tax	–	–	–	–	–	–	–	41,603	41,603
Current tax on share options	–	–	–	–	–	–	–	24,916	24,916
Dividends paid	–	–	–	–	–	–	–	(6,047,965)	(6,047,965)
Total transactions with owners	(350)	–	943,029	–	(120,971)	101,497	350	(6,040,104)	(5,116,549)
At 30th June 2017	268,617	2,256,104	(4,355,887)	165,724	442,379	101,497	23,097	10,945,371	9,846,902
Profit for the period	–	–	–	–	–	–	–	9,888,536	9,888,536
Comprehensive income	–	–	–	(151,993)	–	–	–	–	(151,993)
Total comprehensive income	–	–	–	(151,993)	–	–	–	9,888,536	9,736,543
Transactions with owners									
Share option exercise	–	–	637,799	–	(83,312)	–	–	46,014	600,501
Purchase of own shares	–	–	(981,027)	–	–	–	–	–	(981,027)
Share-based payment	–	–	–	–	13,695	–	–	–	13,695
EIP provision	–	–	–	–	–	504,210	–	–	504,210
Deferred tax	–	–	–	–	–	–	–	(25,286)	(25,286)
Current tax on share options	–	–	–	–	–	–	–	21,008	21,008
Dividends paid	–	–	–	–	–	–	–	(6,626,078)	(6,626,078)
Total transactions with owners	–	–	(343,228)	–	(69,617)	504,210	–	(6,584,342)	(6,492,977)
At 30th June 2018	**268,617**	**2,256,104**	**(4,699,115)**	**13,731**	**372,762**	**605,707**	**23,097**	**14,249,565**	**13,090,468**

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2018

		Group		Company	
	Note	30th June 2018 £	30th June 2017 £	30th June 2018 £	30th June 2017 £
Cash flow from operating activities					
Operating profit		12,527,994	11,509,219	276,936	217,567
Adjustments for:					
Profit on disposal of assets		–	202	–	202
Depreciation charges		200,332	167,748	83,394	57,492
Amortisation of intangible assets		94,467	62,886	6,914	2,915
Share-based payment charge		13,695	26,493	3,042	21,134
EIP charge		504,210	101,497	246,715	50,114
Fair value gain on investments		–	35,367	–	–
Translation adjustments		100,657	(57,966)	47,621	44,963
Cash generated from operations before changes in working capital		13,441,355	11,845,446	664,622	394,387
Decrease/(increase) in trade and other receivables		24,735	(813,789)	(6,148,484)	(2,651,355)
Increase/(decrease) in trade and other payables		1,398,752	280,310	2,623,193	(407,031)
Cash generated from/(used in) operations		14,864,842	11,311,967	(2,860,669)	(2,663,999)
Interest received		47,105	28,925	187	76
Interest paid		8,615	(64,064)	–	–
Taxation paid		(2,818,992)	(2,764,001)	(253,292)	(461,085)
Net cash generated from/(used in) operating activities		12,101,570	8,512,827	(3,113,774)	(3,125,008)
Cash flow from investing activities					
Dividends received from subsidiaries		–	–	9,400,000	7,700,000
Purchase of property and equipment and intangibles		(136,903)	(485,345)	(95,634)	(156,258)
Proceeds from sale of property and equipment		–	–	–	–
Purchase of non-current financial assets		(2,272)	(768)	(2,272)	(768)
Proceeds from sale of non-current financial assets		1,654	2,538	71	2,538
Proceeds from sale of subsidiary		–	1,073,438	–	1,073,438
Purchase of current financial assets		(151,467)	(155,963)	(151,467)	(155,963)
Proceeds from sale of current financial assets		978,356	–	978,356	–
Net cash generated from investing activities		689,368	433,900	10,129,054	8,462,987
Cash flow from financing activities					
Ordinary dividends paid	22	(6,626,078)	(6,047,965)	(6,626,078)	(6,047,965)
Purchase and cancellation of own shares		–	(128,007)	–	(128,007)
Purchase of own shares by employee share option trust		(981,027)	(189,698)	(981,027)	(189,698)
Proceeds from sale of own shares by employee share option trust		637,799	1,132,727	637,799	1,132,727
Net cash used in financing activities		(6,969,306)	(5,232,943)	(6,969,306)	(5,232,943)
Net increase in cash and cash equivalents		5,821,632	3,713,784	45,974	105,036
Cash and cash equivalents at start of period		13,936,558	10,150,799	180,938	74,755
Effect of exchange rate changes		(54,079)	71,975	(1,106)	1,147
Cash and cash equivalents at end of period		19,704,111	13,936,558	225,806	180,938

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

1 BASIS OF PREPARATION

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

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

New IFRS Standards and Interpretations

As at 30th June 2018, the following Standards and Interpretations as adopted by the EU, which are relevant to the Group, were in issue but applicable to future annual accounting periods:

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

IFRS 9 also introduces an expected loss model for the assessment of impairment. The current incurred loss model (under IAS 39) requires the Group to recognise impairment losses when there is objective evidence that an asset is impaired; under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event.

This standard is effective for annual periods beginning on or after 1st January 2018 so applicable to the Group from 1st July 2018. The Group has assessed its financial instruments held as 30th June 2018, and there will be no change to their measurement except for a number of small investments currently classified as available-for-sale, measured at fair value through other comprehensive income, which will going forward be measured at fair value through profit or loss. The Group does not anticipate the impact of the new expected loss model on those assets to be classified as amortised at cost to be material as a result of the nature of assets held and no previous experience of defaults.

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

This standard is effective for annual periods beginning on or after 1st January 2018 so applicable to the Group from 1st July 2018. The Group has assessed that IFRS 15 will not have a material impact on its results or a material change to the estimation of management fees.

IFRS 16 requires a lessee to recognise lease assets and liabilities, currently accounted for as operating leases, on the statement of financial position and recognise amortisation of the lease assets and interest on the lease liabilities over the term of the lease. On transition, a lessee may elect not to apply the requirements to leases for which the lease term ends within 12 months of the date of initial application.

This Standard is effective for annual periods beginning on or after 1st January 2019, so applicable to the Group from 1st July 2019. The majority of the Group's leases will expire within 12 months of the date of initial application of the Standard and therefore on transition the Group will continue to account for them as operating leases until such time they expire. For those leases that will be recognised as a right-of-use asset and related lease liability from 1st July 2019, the Group estimates the discounted value of those lease commitments to be approximately £1.7 million based on current discount values and foreign exchange rates.

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

1 BASIS OF PREPARATION CONTINUED

Accounting estimates and assumptions

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

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

Share-based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option pricing model. Further details of this can be found in note 24.

2 BASIS OF CONSOLIDATION

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

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

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

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

The Group's subsidiary undertakings as at 30th June 2018 are detailed below:

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

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

The registered address of all the UK incorporated companies is 77, Gracechurch Street, London EC3V 0AS. The registered address of City of London Investment Management Company (Singapore) PTE Ltd is 20 Collyer Quay, #10-04, Singapore 049319.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below and have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. In addition, where presentational changes are made in the current period, the prior year figures are also updated to present a true comparative.

(i) Property and equipment

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

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

(ii) Intangible assets

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

The estimated useful lives range from 4 to 10 years.

The assets are reviewed for impairment each year.

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

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

(iii) Financial instruments

Under IAS 39, "Financial Instruments: Recognition and Measurement", financial assets must be classified as either:

- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets
- At fair value through profit or loss

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

Except where investments in funds are identified as subsidiaries, the Group's investments in the funds that it manages are designated as available-for-sale financial assets. Such investments are initially recognised at fair value, being the consideration given together with any acquisition costs associated with the investment. They are subsequently carried at fair value, with any gains or losses arising from changes in fair value included as part of other comprehensive income. Fair value is determined using the price based on the net asset value of the fund. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred all risks and rewards of ownership. When derecognition occurs a realised profit or loss is recognised in the income statement, calculated as the difference between the net sales proceeds and the original cost of the financial asset. Any fair value gains or losses previously recognised as part of other comprehensive income are recycled into the income statement as part of this calculation of the profit or loss arising on derecognition.

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of an investment classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

The Group's investments have been classified here for recognition and measurement purposes under IAS39 but are not necessarily reported in the statement of financial position under those headings. A table showing how they are reported is shown in note 26.

(iv) Trade receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently carried at the lower of original fair value and their recoverable amount. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(v) Cash and cash equivalents

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

(vi) Trade payables

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

(vii) 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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(viii) 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.

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

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

(ix) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and such revenue can be reliably measured. Revenue is recognised as services are provided and comprises investment management fees based on a percentage of Funds under Management, in accordance with the underlying agreements.

(x) 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.

(xi) Foreign currency translation

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

The functional currency of the Group's main trading subsidiaries, City of London Investment Management Company Limited and City of London US Services Limited, is US dollars. The functional currency of City of London Investment Group PLC (the "Company") is sterling. The Group uses sterling as the presentation currency. Under IAS 21 this means that exchange differences caused from translating the functional currency to presentational currency for the main trading subsidiaries would be recognised in equity. However, the Group operates a policy whereby the foreign exchange positions of the subsidiaries in relation to the income statement and monetary assets are sold to the Company. As such any exchange differences arising in the Company are "real" in that the functional currency matches the 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.

(xii) Leases

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

(xiii) Pensions

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

4 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 2018						
Gross fee income	31,334,283	968,724	453,443	1,174,396	–	33,930,846
Non-current assets:						
Property and equipment	324,324	–	85,907	–	40,010	450,241
Intangible assets	244,704	–	47,333	–	–	292,037
Year to 30th June 2017						
Gross fee income	28,893,685	983,509	463,821	953,355	–	31,294,370
Non-current assets:						
Property and equipment	413,257	–	107,080	–	40,437	560,774
Intangible assets	339,876	–	20,407	–	–	360,283

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

5 EMPLOYEES

(a) Average number of persons employed by the Group in the period:	Year to 30th June 2018 Number	Year to 30th June 2017 Number
Investment Management/Research	28	26
Performance and Attribution	4	5
Business Development/Marketing	3	3
Client Services	7	6
Administration, Accounts and Settlements	31	32
	73	72

(b) The aggregate employment costs of staff and Directors were:	Year to 30th June 2018 £	Year to 30th June 2017 £
Wages and salaries	5,886,843	6,003,177
Profit sharing payments	5,761,332	5,121,864
Social security costs	800,018	865,389
Defined contribution pension costs	687,312	681,923
EIP charges	520,210	101,497
Share options charge	13,695	26,493
Other staff costs	397,447	353,571
	14,066,857	13,153,914

6 DIRECTORS

Directors' emoluments comprise:	Year to 30th June 2018 £	Year to 30th June 2017 £
Emoluments (excluding pension contributions and awards under share option schemes)	2,757,907	2,691,013
EIP participation	355,495	229,022
Pension contributions	105,530	105,116
Health insurance	13,894	14,581
EIP charge	205,682	39,581
Share option charge	5,757	10,621
Gains on exercise of share options	3,050	65,255

	Year to 30th June 2018 Number	Year to 30th June 2017 Number
Number of Directors on whose behalf pension contributions were paid during the period	4	4
Number of Directors who exercised share options during the period	1	3

Highest paid Director's remuneration:	Year to 30th June 2018 £	Year to 30th June 2017 £
Emoluments (excluding pension contributions and awards under share option schemes)	1,071,707	999,108
EIP participation	–	–
Pension contributions	33,407	35,372
Health insurance	3,532	4,199
Share option charge	–	–
Gains on exercise of share options	–	–

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

Further details relating to Directors' emoluments can be found in the Remuneration report on pages 48 to 58.

7 OPERATING PROFIT

The operating profit is arrived at after charging:	Year to 30th June 2018 £	Year to 30th June 2017 £
Depreciation of owned assets	200,332	167,748
Amortisation of intangible assets	94,467	62,886
Auditors' remuneration:		
– Statutory audit	89,399	75,319
– Audit related assurance services	8,348	8,471
– Under-accrual of prior year audit fees	1,276	–
Operating lease rentals:		
– Land and buildings	434,469	436,617
– Other	–	1,886

8 INTEREST RECEIVABLE AND SIMILAR GAINS

	Year to 30th June 2018 £	Year to 30th June 2017 £
Interest on bank deposit	47,105	28,925
Gain on sale of investments	298,534	187,142
Unrealised loss on investments	(89,753)	(70,868)
Interest receivable/(payable) on restated US state tax returns	8,615	(64,064)
	264,501	81,135

9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge on ordinary activities:	Year to 30th June 2018 £	Year to 30th June 2017 £
Tax at 19% (2017: 20%) based on the profit for the period	2,465,715	2,447,718
Double taxation relief	(853,093)	(966,380)
Deferred tax	(79,552)	(64,595)
Change in tax rate to 19%	–	(17,964)
Adjustments in respect of prior years	(11,818)	11,312
Domestic tax total	1,521,252	1,410,091
Foreign tax for the current period	1,195,561	1,396,861
Adjustments in respect of prior years	15,339	(357,735)
Foreign tax total	1,210,900	1,039,126
Total tax charge in income statement	2,732,152	2,449,217

9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES CONTINUED

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

The tax assessed for the period is different to that resulting from applying the standard rate of corporation tax in the UK – 19% (prior year – 20%). The differences are explained below:

	Year to 30th June 2018 £	Year to 30th June 2017 £
Profit on ordinary activities before tax	12,792,495	11,590,354
Tax at 19% (2017: 20%) thereon	(2,430,574)	(2,318,071)
Effects of:		
Unrelieved overseas tax	(342,468)	(430,480)
Expenses not deductible for tax purposes	(11,757)	(28,513)
Losses ineligible for tax	–	(88,482)
Capital allowances less than depreciation	(38,884)	(9,397)
Prior period adjustments	(3,521)	346,423
Deferred tax on share based payments and investments	79,552	64,595
Change in tax rate to 19%	–	17,964
Other	15,500	(3,256)
Total tax charge in income statement	(2,732,152)	(2,449,217)

10 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the parent for the period of £10,060,343 (2017: £9,289,755) divided by the weighted average number of ordinary shares in issue for the period ended 30th June 2018 of 25,456,382 (2017: 25,188,897).

As set out in the Directors' report on page 38, the Employee Benefit Trust held 1,485,190 ordinary shares in the Company as at 30th June 2018. The Trustees of the Trust have waived all rights to dividends associated with these shares. In accordance with IAS 33 the ordinary shares held by the Employee Benefit Trust have been excluded from the calculation of the weighted average of ordinary shares in issue.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the parent for the period of £10,060,343 (2017: £9,289,755) divided by the diluted weighted average of ordinary shares for the period ended 30th June 2018 of 25,617,939 (2017: 25,316,917).

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

	30th June 2018 Number of shares	30th June 2017 Number of shares
Weighted average number of shares – basic earnings per share	25,456,382	25,188,897
Effect of dilutive potential shares – share options	161,557	128,020
Weighted average number of shares – diluted earnings per share	25,617,939	25,316,917

11 PROPERTY AND EQUIPMENT

	30th June 2018				30th June 2017			
	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	263,062	1,893,990	696,826	2,853,878	259,914	1,647,769	669,236	2,576,919
Currency translation	(1,946)	(4,014)	(5,600)	(11,560)	2,486	6,724	7,136	16,346
Additions	822	86,246	15,996	103,064	1,272	287,478	21,279	310,029
Disposals	(2,158)	(20,253)	–	(22,411)	(610)	(47,981)	(825)	(49,416)
At close of period	259,780	1,955,969	707,222	2,922,971	263,062	1,893,990	696,826	2,853,878
Accumulated depreciation								
At start of period	243,576	1,594,519	455,009	2,293,104	230,819	1,509,736	405,347	2,145,902
Currency translation	(260)	953	1,012	1,705	3,597	17,087	7,984	28,668
Charge for the period	9,976	140,024	50,332	200,332	9,770	115,677	42,301	167,748
Disposals	(2,158)	(20,253)	–	(22,411)	(610)	(47,981)	(623)	(49,214)
At close of period	251,134	1,715,243	506,353	2,472,730	243,576	1,594,519	455,009	2,293,104
Net book value								
At close of period	8,646	240,726	200,869	450,241	19,486	299,471	241,817	560,774
Company								
Cost								
At start of period	122,715	603,923	282,031	1,008,669	123,325	518,126	279,258	920,709
Additions	–	54,766	7,028	61,794	–	129,337	3,598	132,935
Disposals	(2,158)	(15,555)	–	(17,713)	(610)	(43,540)	(825)	(44,975)
At close of period	120,557	643,134	289,059	1,052,750	122,715	603,923	282,031	1,008,669
Accumulated depreciation								
At start of period	121,976	478,043	261,133	861,152	122,109	484,040	242,285	848,434
Charge for the period	477	56,983	25,934	83,394	477	37,543	19,471	57,491
Disposals	(2,158)	(15,555)	–	(17,713)	(610)	(43,540)	(623)	(44,773)
At close of period	120,295	519,471	287,067	926,833	121,976	478,043	261,133	861,152
Net book value								
At close of period	262	123,663	1,992	125,917	739	125,880	20,898	147,517

12 INTANGIBLE ASSETS

	30th June 2018 Long-term software licences £	30th June 2017 Long-term software licences £
Group		
Cost		
At start of period	694,365	512,511
Currency translation	(9,247)	6,539
Additions	33,840	175,315
At close of period	718,958	694,365
Amortisation charge		
At start of period	334,082	310,710
Currency translation	(1,628)	(39,514)
Charge for the period	94,467	62,886
At close of period	426,921	334,082
Net book value		
At close of period	292,037	360,283
Company		
Cost		
At start of period	23,322	–
Additions	33,840	23,322
At close of period	57,162	23,322
Amortisation charge		
At start of period	2,915	–
Charge for the period	6,914	2,915
At close of period	9,829	2,915
Net book value		
At close of period	47,333	20,407

13 OTHER FINANCIAL ASSETS (NON-CURRENT)

Group	30th June 2018 Unlisted investments £	30th June 2017 Unlisted investments £
Cost		
At start of period	34,660	2,200,099
Additions	3,449	768
Disposals	(803)	(1,464,896)
Fair value gains/(losses)	864	(701,311)
At close of period	38,170	34,660

13 OTHER FINANCIAL ASSETS (NON-CURRENT) CONTINUED

Company	30th June 2018			30th June 2017		
	Unlisted investments £	Investment in subsidiary undertakings £	Total £	Unlisted investments £	Investment in subsidiary undertakings £	Total £
Cost						
At start of period	33,194	800,911	834,105	27,454	1,707,216	1,734,670
Additions	3,449	279,774	283,223	768	95,262	96,030
Disposals	(45)	(48,925)	(48,970)	(722)	(1,001,567)	(1,002,289)
Fair value (losses)/gains recognised in other comprehensive income	1,572	–	1,572	5,694	–	5,694
Other movements	–	–	–	–	–	–
At close of period	38,170	1,031,760	1,069,930	33,194	800,911	834,105

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.

All Group companies are listed in note 2.

14 DEFERRED TAX ASSET

	Share-based payments	
	Group £	Company £
At 30th June 2016	86,106	19,101
Credit to income	5,837	4,015
Credit to equity	124,750	41,603
At 30th June 2017	216,693	64,719
Credit to income	2,815	578
Debit to equity	(100,430)	(25,286)
At 30th June 2018	119,078	40,011

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30th June 2018 £	30th June 2017 £	30th June 2018 £	30th June 2017 £
Trade receivables	34,439	66,634	–	–
Accrued income	4,974,624	4,814,229	–	–
Amounts owed by Group undertakings	–	–	14,052,769	7,874,540
Other debtors	122,875	230,519	74,767	85,861
Prepayments	701,222	746,514	269,730	288,381
	5,833,160	5,857,896	14,397,266	8,248,782

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group and Company	30th June 2018 £	30th June 2017 £
Unlisted investments at market value	–	915,649
Unlisted investments at cost	–	726,028

17 OTHER FINANCIAL ASSETS (CURRENT)

Group and Company	30th June 2018 £	30th June 2017 £
Listed investments at market value	195,112	135,547
Listed investments at cost	305,281	155,963

18 TRADE AND OTHER PAYABLES

	Group		Company	
	30th June 2018 £	30th June 2017 £	30th June 2018 £	30th June 2017 £
Trade creditors	18,733	19,327	–	–
Sundry creditors	267,369	365	2,579	365
Amounts owed to Group undertakings	–	–	2,231,033	–
Other taxation and social security	123,632	117,919	87,516	85,442
Accruals and deferred income	4,391,699	3,265,070	1,521,943	1,134,071
	4,801,433	3,402,681	3,843,071	1,219,878

19 DEFERRED TAX LIABILITY

Group and Company	Group £	Company £
At 30th June 2016	137,514	2,019
Increase due to gain in fair value of available-for-sale investments	37,081	37,081
Increase due to gain in fair value of other financial assets	2,619	–
Released on disposal of available-for-sale investments	(63)	(63)
Released on disposal of other financial assets	(61,377)	–
Reclassification of investment	–	76,737
At 30th June 2017	115,774	115,774
Increase due to gain in fair value of available-for-sale investments	398	265
Increase due to gain in fair value of other financial assets	–	–
Released on disposal of available-for-sale investments	(112,951)	(112,818)
Released on disposal of other financial assets	–	–
At 30th June 2018	3,221	3,221

20 SHARE CAPITAL

Group and Company	30th June 2018 £	30th June 2017 £
Allotted, called up and fully paid		
At start of period 26,861,707 (2017: 26,896,707) Ordinary shares of 1p each	268,617	268,967
Shares repurchased and cancelled; Nil (2017: 35,000)	–	(350)
At end of period 26,861,707 (2017: 26,861,707) Ordinary shares of 1p each	268,617	268,617

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

21 RESERVES

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

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

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

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

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

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

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

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

22 DIVIDEND

	30th June 2018 £	30th June 2017 £
Dividends paid:		
Interim dividend of 9p per share (2017: 8p)	2,295,452	2,026,846
Final dividend in respect of year ended:		
30th June 2017 of 17p per share (2016: 16p)	4,330,626	4,021,119
	6,626,078	6,047,965

A final dividend of 18p per share has been proposed, payable on 30th October 2018, subject to shareholder approval, to shareholders who are on the register of members on 12th October 2018.

23 OPERATING LEASE COMMITMENTS

At 30th June 2018 the Group had the following commitments for future minimum lease payments under non-cancellable operating leases:

	Group		Company	
	Land and buildings 30th June 2018 £	Land and buildings 30th June 2017 £	Land and buildings 30th June 2018 £	Land and buildings 30th June 2017 £
Within one year	223,877	426,784	12,026	212,160
In the second to fifth years inclusive	223,304	203,647	–	–
After five years	–	–	–	–
	447,181	630,431	12,026	212,160

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

24 SHARE-BASED PAYMENTS

(a) The estimated fair values of options which fall under IFRS2, and the inputs used in the Binomial pricing model to calculate those fair values, 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
19/06/2015	19/06/2025	6.50	1.6891%	3.5200	3.5200	30.8275%	6.51%	0.6141	398,585

The expected life of the options 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 principal 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 2018		Year to 30th June 2017	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at the beginning of the period	1,062,342	3.27	1,566,620	3.11
Granted during the period	–	–	–	–
Forfeited during the period	(38,375)	3.37	(80,000)	3.29
Exercised during the period	(220,487)	2.89	(424,278)	2.67
Outstanding at the end of the period	803,480	3.37	1,062,342	3.27
Exercisable at the end of the period	803,480	3.37	754,217	3.17
The weighted average share price at the date of exercise for share options exercised during the period was		4.27		3.77

The total share-based payment for the period is a charge of £13,695 (2017: £26,493). For outstanding share options the exercise price ranged between £2.30 and £4.03, and all have a contract life of ten years.

24 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 bonus before the required waiver date.

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

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

	Vesting date	Total estimated charge £	Actual charge	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Awards granted October 2017									
Bonus Shares tranche 1	Oct-18	177,326	193,534	47,783	111,306	34,445	–	–	–
Bonus Shares tranche 2	Oct-19	177,326	193,533	30,899	71,703	68,715	22,216	–	–
Bonus Shares tranche 3	Oct-20	177,326	193,533	22,815	52,849	50,674	50,813	16,382	–
		531,978	580,600	101,497	235,858	153,834	73,029	16,382	–
Awards expected to be granted October 2018									
Bonus Shares tranche 1	Oct-19	279,731	–	–	119,884	119,885	39,962	–	–
Bonus Shares tranche 2	Oct-20	279,731	–	–	83,917	83,919	83,919	27,976	–
Bonus Shares tranche 3	Oct-21	279,731	–	–	64,551	64,553	64,553	64,553	21,521
		839,193	–	–	268,352	268,357	188,434	92,529	21,521
Total share-based payment charge		–	–	101,497	504,210	422,191	261,463	108,911	21,521

25 RELATED PARTY TRANSACTIONS

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

(i) Remuneration of key management personnel

The remuneration of the Directors who are the key management personnel of the Group is provided in the Remuneration report on page 50 and in note 6.

(ii) Summary of transactions and balances

During the period the Company received from its subsidiaries £8,083,329 (2017: £7,344,329) in respect of management service charges and dividends of £9,400,000 (2017: £7,700,000).

Amounts outstanding between the Company and its subsidiaries as at 30th June 2018 are given in notes 15 and 18.

M Dwyer, a Director of the Company, is also a Director of the World Markets Umbrella Fund plc, a fund managed by City of London Investment Management Company Ltd. The management fees earned by the Group during the year from this fund totalled £1,174,396 (2017: £953,355), with £102,494 (2017: £122,580) outstanding at the year end.

26 FINANCIAL INSTRUMENTS

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

(i) Financial instruments by category

The tables below show the Group and Company's financial assets and liabilities as classified under IAS39:

Group

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

Liabilities as per statement of financial position	Liabilities at fair value through profit or loss £	Financial liabilities at amortised cost £	Total £
Trade and other payables [(1)]	264,790	4,413,011	4,677,801
Total	264,790	4,413,011	4,677,801

30th June 2017 Assets as per statement of financial position	Loans and receivables £	Assets at fair value through profit or loss £	Available-for-sale £	Total £
Other financial assets	–	135,547	34,660	170,207
Trade and other receivables	5,046,231	65,151	–	5,111,382
Available-for-sale financial assets	–	–	915,649	915,649
Cash and cash equivalents	13,936,558	–	–	13,936,558
Total	18,982,789	200,698	950,309	20,133,796

Liabilities as per statement of financial position	Liabilities at fair value through profit or loss £	Financial liabilities at amortised cost £	Total £
Trade and other payables [(1)]	–	3,284,762	3,284,762
Total	–	3,284,762	3,284,762

26 FINANCIAL INSTRUMENTS CONTINUED

Company

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

Liabilities as per statement of financial position	Liabilities at fair value through profit or loss £	Financial liabilities at amortised cost £	Total £
Trade and other payables [(1)]	–	3,755,555	3,755,555
Total	–	3,755,555	3,755,555

30th June 2017 Assets as per statement of financial position	Investment in subsidiaries £	Loans and receivables £	Assets at fair value through profit or loss £	Available-for-sale £	Total £
Other financial assets	800,911	–	135,547	33,194	969,652
Trade and other receivables	–	7,960,401	–	–	7,960,401
Available-for-sale financial assets	–	–	–	915,649	915,649
Cash and cash equivalents	–	180,938	–	–	180,938
Total	800,911	8,141,339	135,547	948,843	10,026,640

Liabilities as per statement of financial position	Liabilities at fair value through profit or loss £	Financial liabilities at amortised cost £	Total £
Trade and other payables [(1)]	–	1,134,436	1,134,436
Total	–	1,134,436	1,134,436

(1) Trade and other payables are due within three months.

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

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

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

26 FINANCIAL INSTRUMENTS CONTINUED

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

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

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

Group

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

30th June 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	950,309	–	950,309
Total	–	950,309	–	950,309
Financial assets at fair value through profit or loss				
Investment in other financial assets	135,547	–	–	135,547
Forward currency trades	–	65,151	–	65,151
Total	135,547	65,151	–	200,698
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	–	–	–
Total	–	–	–	–

26 FINANCIAL INSTRUMENTS CONTINUED

Company

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

30th June 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Investment in other financial assets	135,547	–	–	135,547
Total	135,547	–	–	135,547
Available-for-sale financial assets				
Investment in own funds	–	948,843	–	948,843
Total	–	948,843	–	948,843

Level 3

Level 3 assets as at 30th June 2018 are nil (2017: nil).

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

All fair value gains and losses included in other comprehensive income relate to the investment in own funds.

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 profit reported for the period is £1,480 (2017: net loss £90,181).

(iii) Foreign currency risk

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

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

26 FINANCIAL INSTRUMENTS CONTINUED

As at 30th June 2018, the Group had net asset balances of US$5,656,900 (2017: US$5,463,807), offset by forward sales totalling US$9,000,000 (2017: US$4,750,000). Other significant net asset balances were C$414,997 (2017: C$452,927), AED299,698 (2017: AED246,996), and SGD249,673 (2017: SGD159,498).

Had the US dollar strengthened or weakened against sterling as at 30th June 2018 by 10%, with all other variables held constant, the Group's net assets would have increased or decreased (respectively) by approximately 7%, because the US dollar position is hedged by the forward sales.

Further details on the effects on the Group's post-tax profits due to movements in the US dollar/sterling exchange rate have been demonstrated in the Financial Review on page 29.

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

The Group is also exposed to market risk indirectly via its assets under management, from which its fee income is derived. To hedge against any potential loss in fee income due to a fall in the markets, the Group will look to invest in out-of-the-money put options on the emerging markets index. The purchase and sale of these options are subject to limits established by the Board and are monitored on a regular basis. The investment management and settlement functions are totally segregated.

The loss from hedging recognised in the Group income statement for the period is £89,753 (2017: £20,416).

(v) Credit risk

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

The Group has zero experience of bad or overdue debts.

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

(vi) Liquidity risk

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

(vii) Interest rate risk

The Group has no borrowings, and therefore has no exposure to interest rate risk other than that which attaches to its interest earning cash balances and forward currency contracts. The Group's strategy is to maximise the amount of cash which is maintained in interest bearing accounts, and to ensure that those accounts attract a competitive interest rate. At 30th June 2018 the Group held £19,704,111 (2017: £13,936,558) in cash balances, of which £19,523,996 (2017: £13,799,951) was held in bank accounts which attract variable interest rates. The effect of a 100 basis points increase/decrease in interest rates on the Group's net assets would not be material.

26 FINANCIAL INSTRUMENTS CONTINUED

(viii) Capital risk management

The Group manages its capital to ensure that all entities within the Group are able to operate as going concerns and exceed any minimum externally imposed capital requirements. The capital of the Group and Company consists of equity attributable to the equity holders of the Parent Company, comprising issued share capital, share premium, retained earnings and other reserves as disclosed in the statement of changes in equity on pages 66 and 67.

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of City of London Investment Group PLC (the "Company") will be held at 77 Gracechurch Street, London EC3V 0AS on Monday 22nd October 2018 at 11.30am to consider, and if thought fit, pass resolutions 1 to 15 as ordinary resolutions and resolutions 16 and 17 as special resolutions:

Ordinary business

1. To receive and adopt the financial statements for the year ended 30th June 2018 together with the reports of the Directors and auditors thereon.

2. To approve the Annual report on remuneration for the year ended 30th June 2018.

3. To declare a final dividend of 18p per ordinary share for the year ended 30th June 2018 payable on 30th October 2018.

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

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

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

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

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

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

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

11. To appoint, as a Director of the Company, Jane Stabile, who was appointed during the period and retires in accordance with the Company's Articles of Association and, being eligible, offers herself for re-appointment.

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

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

Special business

14. THAT, in accordance with sections 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers conferred pursuant to Article 10 of the Company's Articles of Association to allot shares in the Company (which for this purpose includes grants of rights to subscribe for or to convert any security into shares) up to a maximum nominal amount of £88,956 (representing approximately one third of the Company's issued ordinary capital at the date of this notice), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2019 (whichever is earlier), save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted (or rights to be granted) and the Directors may allot shares (or grant rights) in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

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

16. THAT, subject to the passing of resolution 14 and in accordance with section 570 and section 573 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers conferred pursuant to Article 10 of the Company's Articles of Association to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 14, as if the pre-emption provisions of section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities up to a maximum nominal amount of £13,343 (representing approximately 5% of the Company's issued ordinary capital at the date of this notice), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2019 (whichever is earlier) save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted (or rights to be granted) and the Directors may allot shares (or grant rights) in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

    (a) the maximum number of ordinary shares which may be purchased is 2,668,671 (representing approximately 10% of the Company's issued ordinary share capital at the date of this notice);

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

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

    (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2019 (whichever is earlier),

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

By order of the Board

P A Keith
Company Secretary

13th September 2018

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

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

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

2. A member entitled to receive notice, attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. Such proxy need not be a member of the Company. Completion of a form of proxy does not preclude the member attending the meeting and voting in person if they so wish. To be valid, the instrument appointing a proxy, together if appropriate, with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be deposited at the offices of the Company's registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or returned in the envelope provided no later than 11.30am on 18th October 2018. A Form of Proxy accompanies this notice.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the annual general meeting (and for the purposes of the determination by the Company of the numbers of votes they may cast) is Close of Business on 18th October 2018.

   The rights of members to attend and vote at the meeting will be determined by reference to entries on the register of members at Close of Business on 18th October 2018. Changes to entries on the register of members of the Company after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

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

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

   (b) Copies of the Directors' contracts of service and letters of appointment of the Non-Executive Directors.

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

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

EXPLANATION OF THE BUSINESS OF THE ANNUAL GENERAL MEETING

Report and accounts (Resolution 1)
The first item on the agenda requires that the Directors must present the accounts of the Company for the year ended 30th June 2018, together with the Directors' report and the independent auditors' report thereon.

Annual report on remuneration (Resolution 2)
In line with regulations relating to the preparation and approval of a Directors' remuneration report, resolution 2 is to be proposed at the AGM. The resolution will provide shareholders with the opportunity to comment on the remuneration, although shareholders should note that in accordance with the regulations the vote will be advisory in nature.

Declaration of final dividend (Resolution 3)
Your Directors are recommending a final dividend of 18p per ordinary share for the year ended 30th June 2018 which will be paid on 30th October 2018 to shareholders on the register at the close of business on 12th October 2018.

The Company's shares will trade ex-dividend from 11th October 2018 until the payment date.

Re-election of Directors (Resolutions 4 – 11)
Article 138 of the Company's articles of association requires that a resolution for the appointment or re-appointment of two or more persons as Directors by a single resolution may not be moved unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it. Consequently, separate resolutions will be put to the meeting.

Brief biographical details of all the Directors may be found on pages 36 and 37 of the annual report.

David Cardale, Chairman of the Company, is retiring by rotation in accordance with the Articles of Association and will not be standing for re-election. The Board of Directors would like to thank him for his service.

Appointment of auditors (Resolution 12)
The Company is required at each general meeting at which its annual accounts and reports are laid before the shareholders (an "Accounts Meeting") to appoint auditors for the next financial year to hold office from the conclusion of that accounts meeting until the conclusion of the next accounts meeting. If resolution 12 is passed, RSM UK Audit LLP will be appointed as auditors to the Company for the financial year ending 30th June 2019.

Remuneration of auditors (Resolution 13)
In accordance with the Companies Act 2006, the remuneration of the auditors appointed by the shareholders may be fixed in such manner as the shareholders in general meeting may determine. It is normal practice for a company's Directors to be authorised to agree the auditors' fees. If this resolution is passed, the Audit Committee will review and approve the auditors' fees for recommendation to the Board.

Authority to allot shares (Resolution 14)
Resolution 14 will be proposed as an ordinary resolution in accordance with section 551 of the Companies Act 2006, to authorise the Directors generally to allot shares and rights over shares up to a maximum nominal amount of £88,956 representing approximately one third of the existing issued ordinary share capital as at the date of this notice.

Such authority will expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2019 (whichever is the earlier), unless renewed, varied or revoked by the Company prior to or on that date.

The City of London Employee Benefit Trust (the "EBT") (Resolution 15)
In accordance with the Association of British Insurers' Principles of Remuneration, the prior approval of shareholders should be obtained before 5% or more of the Company's issued share capital is held on behalf of the EBT.

Your Board of Directors therefore seeks the approval of shareholders by ordinary resolution to permit the trustees of the EBT to hold up to a maximum of 10% of the Company's issued ordinary share capital from time to time. Your Directors believe that granting such approval would be in the best interests of shareholders because it will offer the opportunity to align more closely the interests of staff and shareholders, will extend the Company's opportunities with respect to attracting new talent and will promote confidence in the stability of the Company's investment process from a client perspective.

Disapplication of pre-emption rights (Resolution 16)

Resolution 16 will be proposed as a special resolution in accordance with section 570 of the Companies Act 2006, to authorise the Directors of the Company to allot a limited number of shares for cash other than on a pre-emptive basis, up to an aggregate nominal value of £13,343 representing approximately 5% of the issued ordinary share capital at the date of this notice. This authority will expire at the conclusion of the Company's next Annual general meeting, or on 30th November 2019 (whichever is earlier), unless renewed, varied or revoked by the Company prior to or on that date.

Purchase by the Company of its own shares (Resolution 17)

Under section 701 of the Companies Act 2006, the Directors of a company may make market purchases of that company's shares if authorised to do so. The Company's articles of association give a general authority to the Directors to purchase shares on the market, but that authority is subject to the approval of shareholders. Your Directors believe that granting such approval would be in the best interests of the shareholders in allowing Directors the flexibility to react promptly to circumstances requiring market purchases.

Accordingly, Resolution 17, which will be proposed as a special resolution, will give the Directors the authority to purchase issued shares of the Company under section 701 of the Companies Act 2006. The authority contained in this Resolution will be limited to an aggregate nominal value of £26,687 which represents approximately 10% of the issued ordinary share capital of the Company at the date of this notice. The price which may be paid for those shares is also restricted as set out in the Resolution. This authority will expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2019 (whichever is earlier).

The Board has no present intention of exercising this authority. However, this will be kept under review, and the Board will use this power only if and when, taking account of market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall financial position of the Group, they believe that the effect of such purchases will be in the best interests of shareholders generally and that they will result in an increase in earnings per share.

Shares purchased under this authority may be held as treasury shares. The Company may purchase and hold shares as treasury shares up to a maximum amount equal to 10% of the nominal value of the issued ordinary share capital at that time, rather than cancelling them. Shares held in treasury do not carry voting rights and no dividends will be paid on such shares. Shares held in treasury in this way can be sold for cash or cancelled. This would allow the Company to manage its capital base more effectively and to replenish its distributable reserves.

If and when the Board resolves to exercise its authority to make market purchases, it will at that time decide whether shares purchased are to be cancelled or held in treasury.

COMPANY INFORMATION

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London
EC4A 4AB

Bankers
The Royal Bank of Scotland plc
London City Office
62-63 Threadneedle Street
London
EC2R 8LA

Registrar
Link Asset Services
34 Beckenham Road
Beckenham
Kent
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By email:
enquiries@linkgroup.co.uk

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EC3V 0AS

Company registration number
2685257

Company Secretary
Philippa Keith

Financial calendar

First quarter Funds under Management (FuM) announcement	8th October 2018
Ex-dividend date for the final dividend	11th October 2018
Final dividend record date	12th October 2018
AGM	22nd October 2018
Final dividend payment	30th October 2018
Second quarter FuM announcement	16th January 2019
Half year results and interim dividend announcement	18th February 2019
Ex-dividend date for the interim dividend	7th March 2019
Interim dividend record date	8th March 2019
Interim dividend payment	22nd March 2019
Third quarter FuM announcement	16th April 2019
Year end	30th June 2019

For further information please see the shareholders page on our website www.citlon.co.uk

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