CITY OF LONDON

INVESTMENT GROUP PLC

REPORT AND ACCOUNTS

FOR THE 13 MONTHS TO 30TH JUNE 2014

CITY OF LONDON
INVESTMENT GROUP PLC

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

In recent years the Group has expanded its range to include Developed, Frontier and Tactical Asset Allocation closed-end fund strategies, as well as products which offer Emerging Market and Natural Resources exposure directly via equities.

www.citlon.co.uk

SUMMARY

- Funds under management (FuM) at 30th June 2014 were US$3.9 billion (2013: US$3.7 billion), an increase of 6%. In sterling terms, FuM fell by 6% to £2.3 billion (2013: £2.4 billion) as a result of the cross rate moving from 1.52 to 1.71 over the period. The MSCI Emerging Markets TR Net Index registered a 7% increase over the same period.

- Revenues, representing the Group's management charges on FuM, were £24.2 million (2013: £29.4 million). Profit before tax was £7.2 million (2013: £8.9 million).

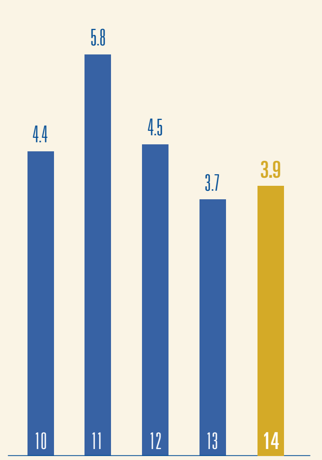
- Basic earnings per share were 20.7p (2013: 24.9p) after a tax charge of 28% (2013: 29%) of pre-tax profits.

- A maintained final dividend of 16p per share is recommended, payable on 31st October 2014 to shareholders on the register on 10th October 2014, making a total for the period of 24p (2013: 24p).

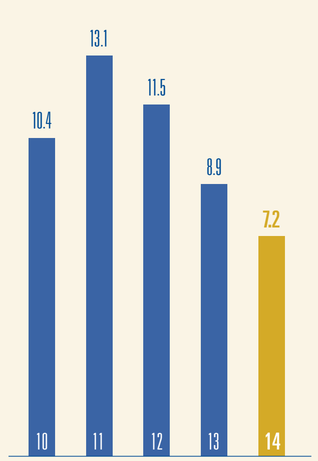
- Cash and cash equivalents at 30th June 2014 were £10.2 million (2013: £10.1 million).

- Change of financial year end from 31st May to 30th June, resulting in a thirteen month period.

Funds under management US$bn



Pre-tax profit £m



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CHAIRMAN'S STATEMENT

"FUNDS UNDER MANAGEMENT ("FUM") HAVE RISEN FROM A LOW OF LITTLE OVER US$3 BILLION TO CLOSE TO US$4 BILLION AT THE JUNE 2014 PERIOD END. THIS HAS BEEN DRIVEN BY POSITIVE EMERGING MARKETS TOGETHER WITH SIGNIFICANT NET NEW SUBSCRIPTIONS DURING THE LATTER HALF OF THE PERIOD."

Looking back to over a year ago when I wrote my previous, and first, Chairman´s statement at City of London, I am delighted by the transformation over the last 13 months. Last year not only did we have falling profits but in addition we had a number of challenging management issues. By contrast this period I am now able to report rising monthly profits, albeit having gyrated through a deep trough, together with a stabilised management team.

Notwithstanding the almost relentless onslaught of often terrible news from the emerging and frontier world, ranging from the shamefully almost forgotten Boko Haram kidnapped girls, through political unrest in Thailand, to the disgraceful failure of the guilty to take responsibility for the most tragic, almost certainly mistaken, shooting down of flight MH 17, not to mention the hugely worrying rise of the Islamic State or the continuing Israel/Gaza conflict, sentiment towards the emerging economies has more recently been surprisingly positive. Furthermore, whilst not immune to QE tapering, emerging markets appear to be more ready to withstand it, and in India and Indonesia recent elections have had market favourable outcomes.

At City of London, Funds under Management ("FuM") have risen from a low of little over US$3 billion to close to US$4 billion at the June 2014 period end. This has been driven by positive emerging markets together with significant net new subscriptions during the latter half of the period. Whilst our core emerging market closed-end fund products have been the main beneficiaries, as will be reported later, the diversification products are making encouraging progress.

Our results

Over the course of the 13 month period the MXEF price index, our principal benchmark, has gyrated between 883 and 1058, having started the year at 1009 and finishing at 1051, with sentiment improving markedly in the final quarter. Our FuM over the first 6 months to end November 2013 declined by 6% to US$3.5 billion, having been as low as US$3.2 billion, but ended the year on a positive note at US$3.9 billion thanks to improved market conditions and net new client subscriptions.

Revenues, representing the Group's management charges on FuM, for the 13 months to 30th June 2014 were £24.2 million (2013: £29.4m for 12 months). Profit before tax was £7.2 million (2013: £8.9m). The tax charge for the period was 28% of pre-tax profits (2013: 29% of pre-tax profits). Basic earnings per share were 20.7p (2013: 24.9p) and fully diluted earnings per share were 20.6p (2013: 24.6p). Cash and cash equivalents at 30th June 2014 were £10.2 million (2013: £10.1 million).

Dividends

As previously indicated, in light of the historic volatility of earnings and limited need to retain substantial amounts of capital in the business, your Board has reviewed its dividend policy. A fuller explanation is set out in the Strategic report but in summary the objective is to achieve a dividend cover of c1.2x over a rolling 5 year period with quite wide flexibility annually dependent on historic results and the outlook. Based on this policy your Board has recommended the payment of a maintained final dividend of 16p per share to be paid on 31st October 2014 to shareholders on the register on 10th October 2014 – this timing is in line with previous years notwithstanding the year end change from May to June. Together with the interim dividend of 8p per share (2013: 8p) paid in February 2014, this makes a total for the period of 24p per share (2013: 24p), covered 0.86 times by earnings per share (2013: 1.04 times).

Your Board

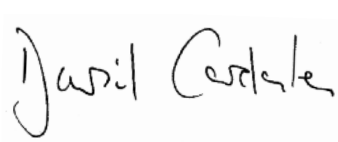
Following the disruptive challenges at director level in 2012/13, your Board has settled down well with Barry Olliff agreeing to continue in the CEO role for a further 5 years and arrangements having been put in place for the Emerging Markets CIO role responsibilities to be devolved to Mark Dwyer. Shareholders will be asked at the AGM to vote on an amendment to our Articles to allow for annual re-election of all Directors enabling us to comply with the Pensions & Investment Research Consultants (PIRC) guidelines. In this context it has been your Board's policy to appraise annually the effectiveness of the Board and its members. I am pleased to report that each of the Directors are operating effectively and I can therefore recommend that those Directors standing for re-election at this year's AGM be so elected.

> "I AM HAPPY TO REPORT THAT A 1ST QUARTILE PERFORMANCE FOR THE OVERWHELMING MAJORITY OF OUR FUNDS, OVER A ONE YEAR PERIOD (AS AT 30TH JUNE 2014), HAS UNDERWRITTEN THE GROWTH OF NET NEW SUBSCRIPTIONS."

Outlook

It has always been your Board's policy to be as open as possible with shareholders informing them on a timely basis of the performance of their business. As detailed in this year's Strategic report, in addition to the disclosure of monthly management accounts information and month end FuM figures, shareholders are now able, using assumptions from the Forward Guidance that we provide together with their own assumptions on the direction of markets and other factors, to reach their own informed view on the likely outcome for the year. Our investment performance is obviously a key factor and I am happy to report that a 1st quartile performance for the overwhelming majority of our funds, over a one year period (as at 30th June 2014), has underwritten the growth of net new subscriptions. The resultant higher level of FuM is driving increased income whilst costs have been well contained. However, after the recent good performance our markets have become relatively unpredictable; nevertheless your Board is taking a positive stance on the likely outcome for the current year.

Finally, as in previous years, your Directors will be available to meet individual shareholders at our AGM in October following the completion of the meeting's formal business.



David Cardale
Chairman
12th September 2014

CHIEF EXECUTIVE OFFICER'S STATEMENT

The following pages attempt to provide shareholders with even more information with regard to City of London Investment Group (CLIG), and specifically its major operating subsidiary City of London Investment Management (CLIM), than in the past.

We have followed the guidelines discussed and approved in Parliament and set out in The Companies Act 2006 (Strategic report and Directors' report) Regulations 2013 which we believe provides good guidance for listed companies and enables companies to demonstrate to their shareholders (who own these companies) what they do, how they do it and, most importantly, attempt to define the risks associated with that investment.

As a small company we consider ourselves at the leading edge in terms of shareholder disclosure.

"AS A SMALL COMPANY WE CONSIDER OURSELVES AT THE LEADING EDGE IN TERMS OF SHAREHOLDER DISCLOSURE."

Over five years ago we started to periodically provide CLIG shareholders with monthly data from our management accounts. This information was provided to our shareholders via Shareholder Presentations which were placed on our web site subsequent to a relevant announcement.

This enabled our shareholders to see that while our costs were very stable our income was variable and demonstrated a very close correlation with the MSCI Emerging Markets T/R Index and the more widely available MXEF Index.

Just over a year ago we started to provide additional monthly data with regard to FuM via our web site. Based upon a consistent overhead this effectively allows CLIG shareholders to calculate our P&L on a monthly basis.

In a further attempt to provide additional information, in the last Interim Statement we started to provide Forward Guidance for shareholders based upon a number of assumptions.

Obviously stock markets, both developed and even more so in the case of the emerging markets, are volatile, and over the years the CLIG share price has exaggerated this volatility. Recently, and specifically subsequent to our starting to provide Forward Guidance, we have seen a significant reduction in that share price volatility.

This is what we hoped would happen. Obviously one of the good things about Forward Guidance is that shareholders will see each month's FuM in both good times as well as bad. The net result of this is that they will be much more aware of when things are going badly as well as going well, much earlier than in the past.

Continuing in the vein of transparency, I would like to restate my intention regarding potential future sales of shares in the Company. I founded CLIG as an asset management business in 1991 and from the outset, I have always sought to align my interests with those of the Group's shareholders, both before and subsequent to the public listing in 2006. The consequence of this is that, as the largest shareholder and the Chief Executive of CLIG, a significant proportion of my personal resources remain invested in the Company and I believe it is appropriate and prudent, for both the Company and me personally, that I should gradually reduce my holding. Accordingly, I propose:

- Selling 500,000 at £3.50; 500,000 at £4.00 and 500,000 at £4.50. These are the same amounts and prices as referenced in the July Trading update.

I hope that you will find the following pages interesting and informative.

WHAT WE DO

At City of London, we focus on building 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, which in turn spawned dedicated access products for emerging market small-cap equity, China A-share equity (using proprietary QFII – Qualified Foreign Institutional Investor programme) and natural resource equity.

In addition, our unrivalled global platform and knowledge of closed-end funds has naturally extended to meet client demand. We now manage funds applying our investment process to Frontier markets, Global Equity benchmarks, Global Tactical Asset Allocation and US Taxable accounts via closed-end funds.

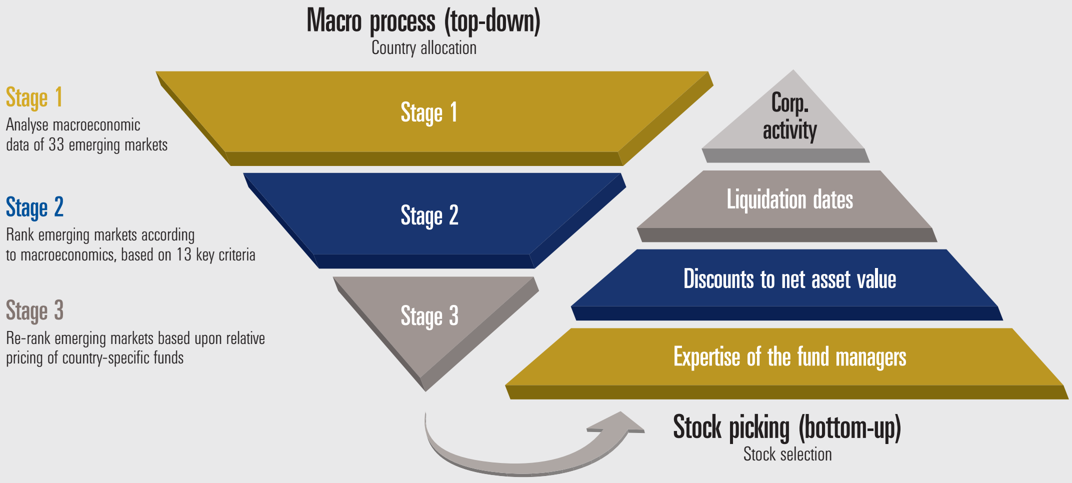
So today, while we remain both proud and protective of our "boutique" status, we seek to meet client needs across a suite of products anchored by our core expertise in global closed-end funds and emerging markets.

INVESTMENT PROCESS

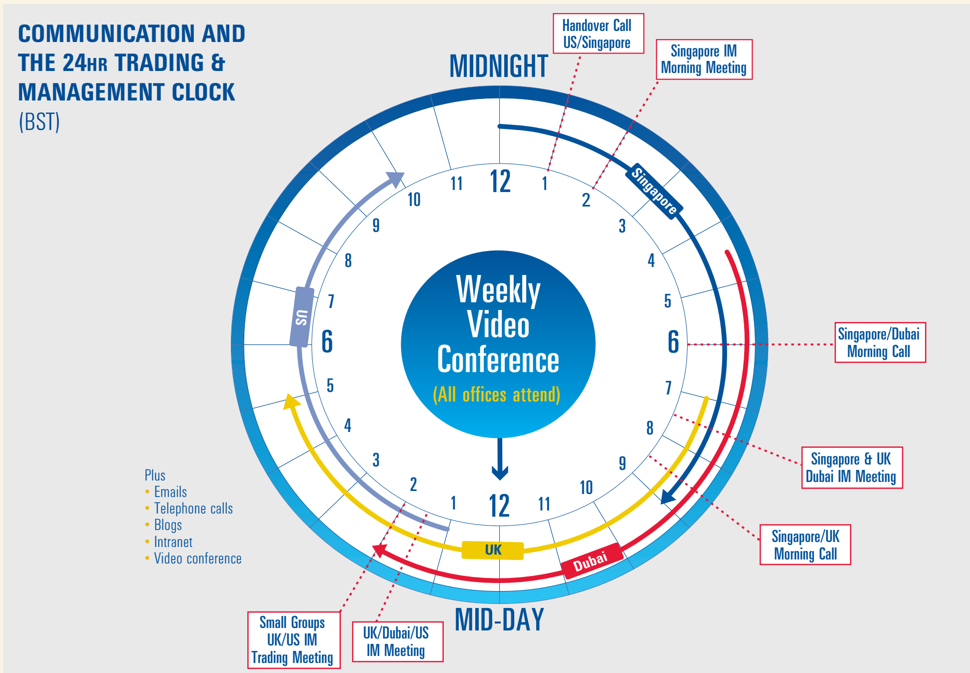
We have developed and nurtured a team investment process which does not rely on ´star´ fund managers, but rather upon analytical procedures that can produce repeatable and sustainable first or second quartile performance versus our peers.

Our process employs an array of proprietary tools for analysing and identifying value. These quantitative tools supplement both macroeconomic analysis and over 20 years of trading expertise. Whether it is taking advantage of discount anomalies in closed-end funds, or company specific valuations in our equity business, through three full market cycles in emerging markets the process has delivered long term relative outperformance combined with low volatility relative to our clients' benchmarks.

THE INVESTMENT PROCESS (CEFs)



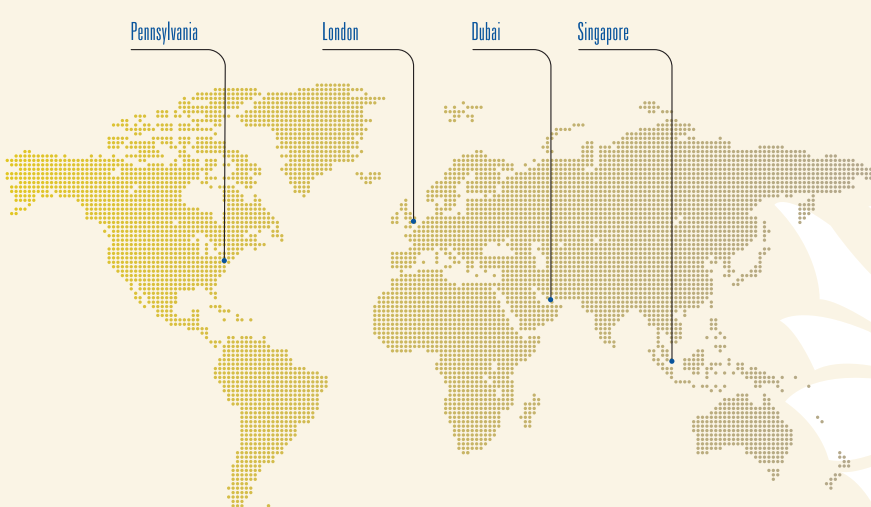
OUR COMPETITIVE ADVANTAGE



We believe that our approach and philosophy differs significantly from our peers. Our resolute focus is on generating consistent investment performance – over time and through economic cycles.

We use technology to leverage our capabilities, allowing us to trade worldwide 24/7 based on real-time information on underlying investment portfolios. Our process driven investment approach is applicable to markets other than the core, original emerging markets closed-end funds.

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



"WE USE TECHNOLOGY TO LEVERAGE OUR CAPABILITIES, ALLOWING US TO TRADE WORLDWIDE 24/7 BASED ON REAL TIME INFORMATION ON UNDERLYING INVESTMENT PORTFOLIOS."

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.

Additionally we have responsibilities to regulators, the community and the environment.

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 five 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

1. OUTPERFORM

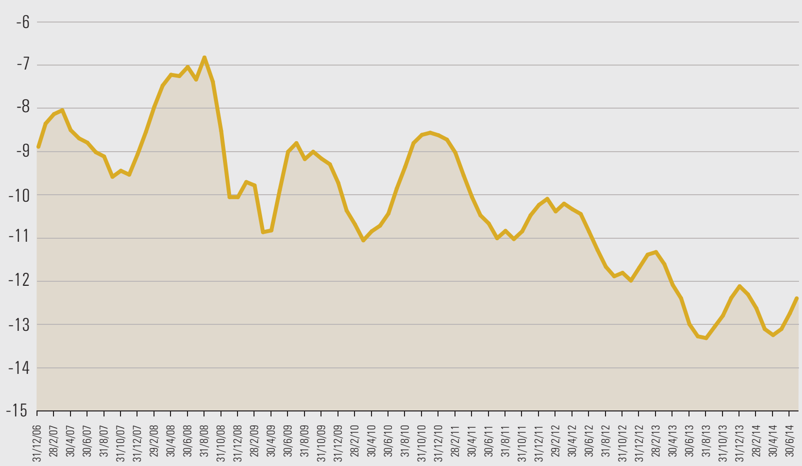
Our job as an active manager is to add value over and above a relevant benchmark through an investment cycle which we define as four to five years.

As we have documented, over the past few years the main driver of recent underperformance has been a significant increase in the Size-Weighted Average Discount of the closed-end funds in our portfolios.

This figure has now stabilised which has benefitted recent investment performance. Our view is that it will either narrow (which, other things being equal, will contribute alpha) or else it will remain around present levels. In the event that it is the latter we should continue to benefit from buy backs, tender offers, open endings and liquidations.

Representative account*

3-Month rolling average portfolio discount
December 2006 to June 2014



Source: City of London Investment Management

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

OUR STRATEGY AND OBJECTIVES

CONTINUED

2. RETAIN STAFF

As shareholders would expect, in a firm that has always used a partnership approach, there is a very long term view taken regarding remuneration.

In the table below we show the relationship between staff and Directors' salaries from 2010 to 2014.

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

Cost of salary and profit share split by Directors and employees from 2010 to 2014

	2010			2010 to 2011		2011			2011 to 2012		2012			2012 to 2013		2013[3]			2013 to 2014		2014		
	Salary £'000	Profit share £'000	Total £'000	Salary %	Profit share %	Salary £'000	Profit share £'000	Total £'000	Salary %	Profit share %	Salary £'000	Profit share £'000	Total £'000	Salary %	Profit share %	Salary £'000	Profit share £'000	Total £'000	Salary %	Profit share %	Salary[4] £'000	Profit share £'000	Total £'000
Barry Olliff	219	906	1,125	4%	5%	228	950	1,178	-1%	-21%	226	755	981	1%	-58%	229	319	548	-3%	31%	222	419	641
D F Allison[1]	141	397	538	5%	26%	148	500	648	1%	-17%	150	415	565	-2%	-67%	147	135	282	n/a	n/a	–	–	–
T W Griffith	140	244	384	6%	30%	149	317	466	3%	-18%	153	261	414	1%	-34%	155	171	326	-3%	0%	151	171	322
C M Yuste	139	244	383	6%	30%	148	317	465	3%	-18%	152	261	413	1%	-34%	154	171	325	-3%	0%	150	171	321
V S Tannahill[2]	–	–	–			–	–	–			–	–	–			39	30	69	n/a	n/a	–	–	–
Executive Directors	639	1,791	2,430			673	2,084	2,757			681	1,692	2,373			724	826	1,550			523	761	1,284
All employees	3,117	2,734	5,851			3,807	3,490	7,297			4,432	3,390	7,822			4,556	2,289	6,845			4,175	2,026	6,201
Total	3,756	4,525	8,281			4,480	5,574	10,054			5,113	5,082	10,195			5,280	3,115	8,395			4,698	2,787	7,485
Percentage of aggregate spend																							
Executive Directors	17%	40%	29%			15%	37%	27%			13%	33%	23%			14%	27%	18%			11%	27%	17%
All employees	83%	60%	71%			85%	63%	73%			87%	67%	77%			86%	73%	82%			89%	73%	83%
Employee average £'000	54	47	101	11%	17%	59	55	114	2%	-16%	61	46	107	3%	-30%	63	32	95	-5%	-6%	62	30	92

Notes

(1) Resigned 15th April 2013

(2) Appointed 1st January 2013 and resigned 15th April 2013. Remuneration disclosed for this period only.

(3) Excludes loss of office payments

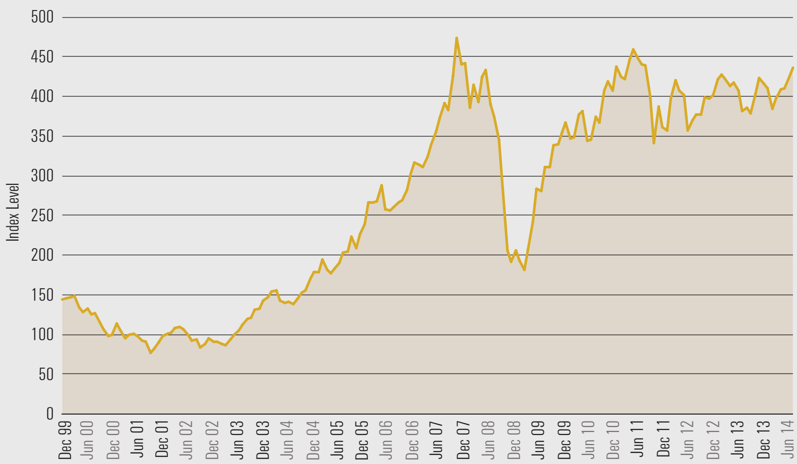
(4) 12/13 of salary reported to provide a 12 month comparison

One of the proofs of our approach is that CLIM's thirteen fund managers have an average tenure of over ten years.

Our remuneration policy is made more difficult as a result of having to undertake our work in a volatile market environment.

In the graph below we show the volatility of our Index (and thus our P&L).

MSCI emerging markets net total return index
US$ based



Source: Bloomberg

After looking at the graph above shareholders might well ask:

"How do you ensure that staff that join in the period 2000 to 2007 stay with CLIM in the period 2007 to 2014?"

By being open, accountable, by providing job satisfaction and being fair in terms of compensation in the earlier period creates loyalty later.

"How do you reward new arrivals from 2007 to 2014?"

The executive Directors receive a lower participation in the down times and are compensated for this in the good times.

The ESOP also helps. New arrivals receive an allocation to the ESOP at a lower price as a result of a lower CLIG share price at the point of purchase.

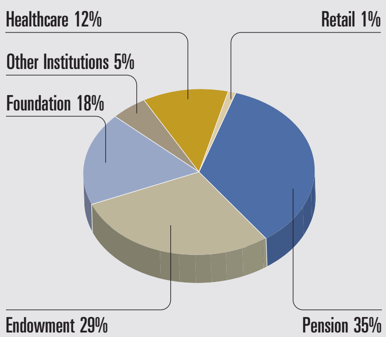
"How do you retain staff during 2008?"

Fortunately most market participants were going through difficult times but the executive Directors participation was again voluntarily reduced.

OUR STRATEGY AND OBJECTIVES

CONTINUED

Clients by sector



3. INCREASE FUM FROM LONG TERM INSTITUTIONAL INVESTORS

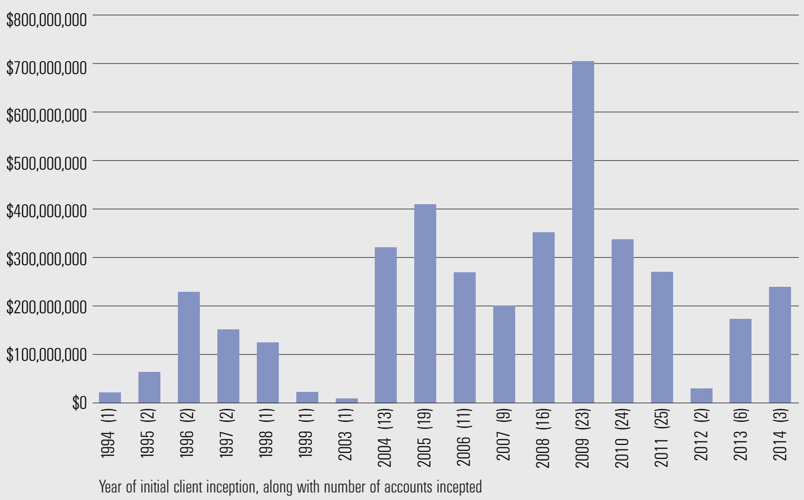
City of London's client base is, and always has been, overwhelmingly institutional. Our clients include pension funds, foundations, endowments and other professional money managers.

What they 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. Clients can then focus on their asset class allocation decisions.

We have 161 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 30/6/2014



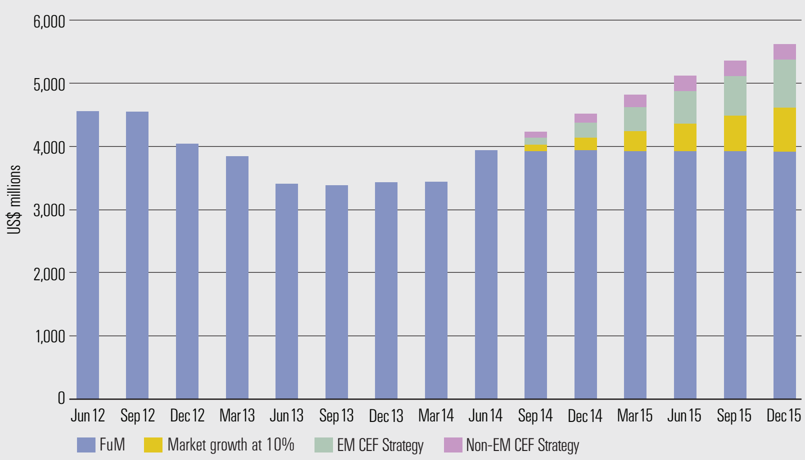
Ten largest clients by market value

	Client	Market value 30/6/2014	Inception date
1	Public Pension	$365,056,103	September 2009
2	Endowment	$215,577,907	November 1996
3	Foundation	$202,738,398	May 2014
4	Endowment	$171,742,061	June 2004
5	Public Pension	$165,597,313	October 2013
6	Corporate Pension	$129,859,049	March 1997
7	Endowment	$129,716,436	July 2007
8	Corporate Pension	$127,042,661	June 2006
9	Union Pension	$112,512,448	April 2009
10	Healthcare	$105,883,233	December 2010
	Total	**$1,725,725,609**	

The ten largest clients are all North American.

Subsequent to reopening our emerging markets business in September 2013 we have set out in a template how we would like to grow funds under management as follows:

FuM – Actual and growth targets



We are restricting our growth by limiting the amount of new emerging market closed-end fund (EM CEF) money to US$100 million per month with an original target of US$500 million by 31st December 2014 and a further US$500 million by 31st December 2015. The funds we have raised since reopening in September 2013 to 30th June 2014 have been offset by client redemptions but we are still working to the original target and therefore the plan for the next 18 months from 1st July 2014 is to raise US$750 million in the EM CEF strategy.

In addition, during this financial year we are targeting US$250 million in new mandates for our non-EM CEF strategies which are now attracting interest and are described in more detail in the products section on page 17.

Both targets have been straight-lined in the graph above which also includes market growth at 10% per annum.

As a result of assumed further expansion with regard to the diversification products, it is our intention to add a US West Coast marketing resource, in addition to our current East Coast marketing presence.

The principal risk that the Group faces is the potential loss of funds under management as a result of either client redemptions or market volatility. The Group seeks to attract and retain clients through consistent outperformance supplemented by first class client servicing, and the Directors have implemented a diversification strategy, as described in the Business development review on pages 17 to 18, which should further mitigate these risks. In addition to this key business risk, there are a number of less significant financial risks as outlined in note 25 on pages 70 to 74.

OUR STRATEGY AND OBJECTIVES

CONTINUED

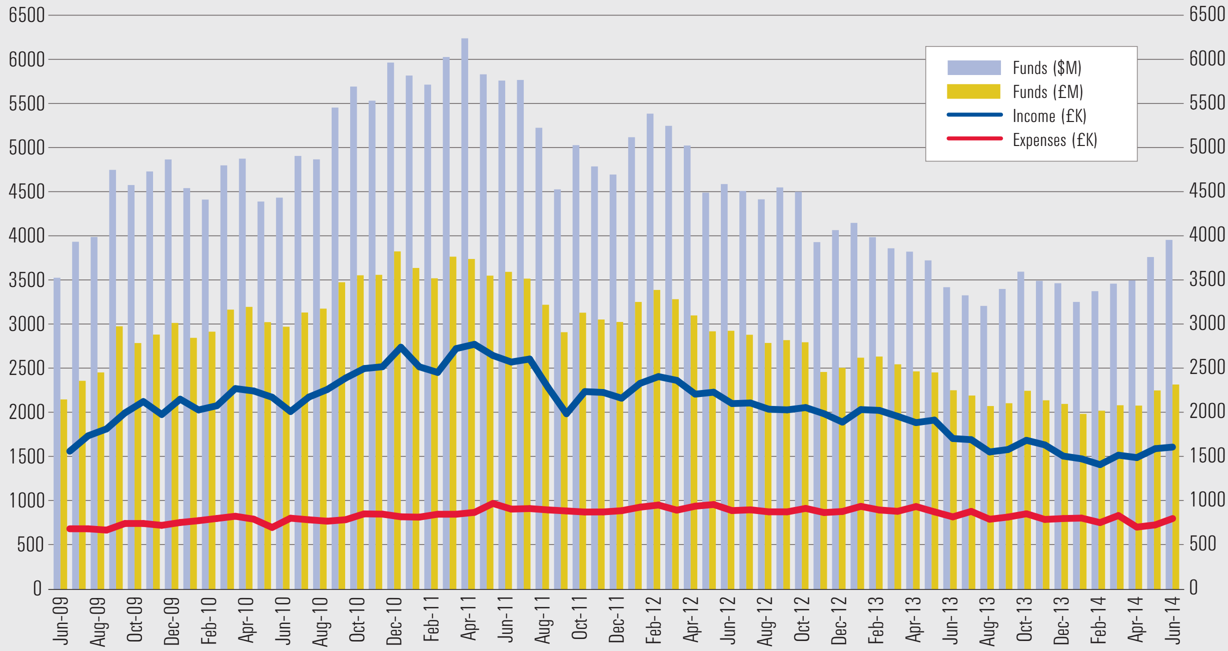
4. REMAIN OPEN IN OUR DEALINGS WITH SHAREHOLDERS, AVAILABLE AND ACCOUNTABLE

We seek to communicate with our shareholders in a transparent and open manner.

Where possible, we take the opportunity to meet shareholders, whether 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 simple and accessible. We also provide supplementary data such as the following graph from our management accounts, which is updated on the website after relevant announcements.

Rolling five year Funds under Management and Profitability

Excludes extraordinary items of income and expenditure



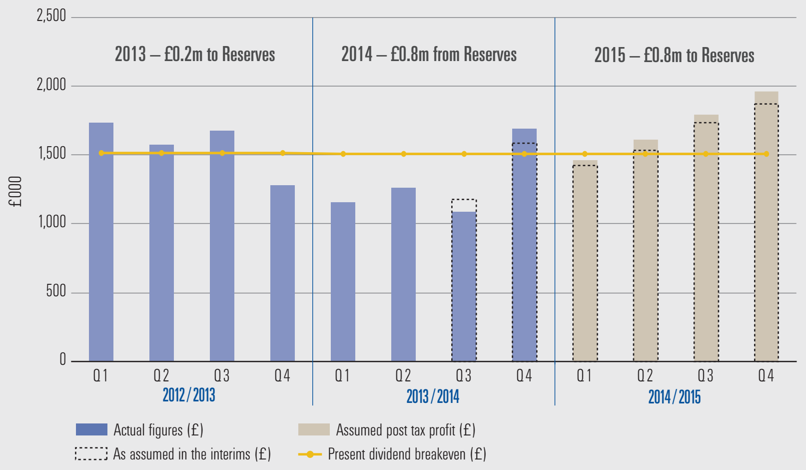
In addition, we have attempted to provide an illustrative framework to enable interested parties to calculate what might happen in the future to our post-tax profits based upon some key assumptions. The graph opposite shows the quarterly estimated cost of a maintained dividend against actual post-tax profits for last year, the current period and the assumed post-tax profit for next year based upon the following assumptions:

- Starting point Current FuM (June 2014).
- Target new money in 2014/2015: emerging market CEF strategy $500m, straight-lined to June 2015.
- Target new money in 2014/2015: non-emerging market CEF strategies $250m, straight-lined to June 2015.
- Operating margin adjusted monthly for change in product mix and commission run-off.
- Market growth: 10% (twelve months June 2015).
- Decrease in overhead: -1% (compared to 12/13 of 2013/14).

- Corporation tax based on an estimated average rate of 27% for 2014/2015.
- Exchange rate assumed to be £1/$1.7 for entire period.
- Number of CLIG Shares in issue (27.0m) less those held by the ESOP Trust (1.8m) as at 30 June 2014.

Given the above assumptions 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 2013 - 2015



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, but have revised the Group's dividend policy as detailed below. This is going to be applied with flexibility, with one third payable as an interim dividend and two thirds as a final.

New dividend policy

This policy is 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 account of 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 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.

OUR STRATEGY AND OBJECTIVES

CONTINUED

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 have 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 to sleep rather than it be a part of our life style.

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 all efforts are made to limit inter-office air travel, with internal meetings almost exclusively conducted by teleconference.

BUSINESS DEVELOPMENT REVIEW

Diversify the business

Over the period, investment performance in our emerging markets closed-end fund (CEF) strategy remained strong, with first or second quartile results versus manager peers. The relatively large size-weighted average discount (SWAD) of c12-13% across client portfolios indicates value in the strategy. The investment approach adds value beyond this by exploiting volatility of the underlying discounts in the CEF universe, from which portfolios are constructed with their specific SWAD characteristics. As we said last year, with good investment performance restored in our core emerging markets product, we now feel confident that this headwind has been removed from marketing the key diversification products.

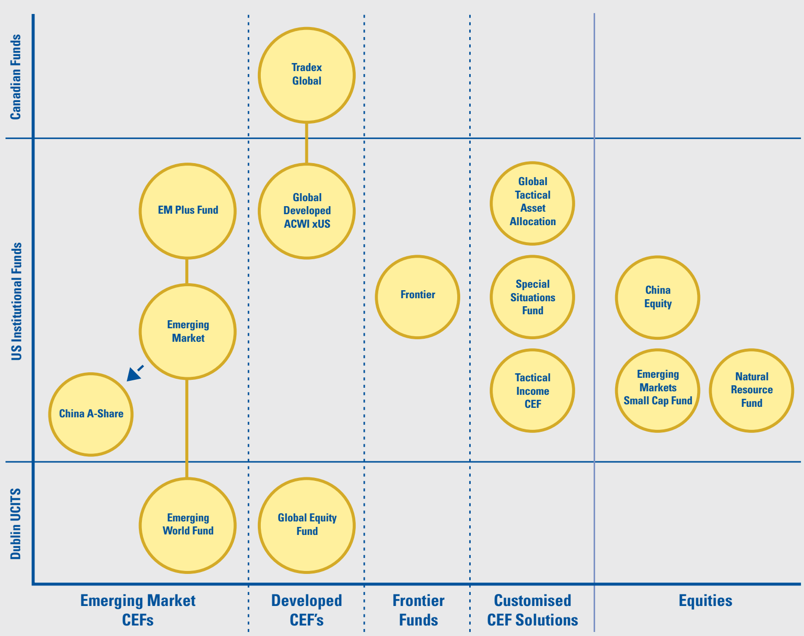
Products

We are pleased to note that our diversification efforts are beginning to attract new funds under management. During the period, mandates for two new strategies, the Special Situations CEF Strategy and the Global Tactical Asset Allocation CEF Strategy were funded. This will assist in efforts to raise the profile of our extension CEF products with institutional consultants and plan sponsors.

The Special Situations CEF Strategy is a more concentrated extension of the Emerging Markets core equity product, but may also include private equity funds. This strategy will have a three year track record in February 2015.

Business diversification

Products map



The Global Tactical Asset Allocation Strategy encompasses a variety of asset classes via closed-end funds and adopts a go anywhere approach which is managed as part of the Developed closed-end fund strategy team, which is a separate team from that managing client assets in the emerging markets. Both taxable and tax-exempt products are available.

BUSINESS DEVELOPMENT REVIEW

CONTINUED

Our niche investment strategies include the Frontier Emerging Markets Fund and the Natural Resource Fund.

Over the period, CLIM placed the second US$100 million tranche of Qualified Foreign Institutional Investor (QFII) quota awarded by the China Securities Regulatory Commission, for the China A Share CEF Strategy.

Performance

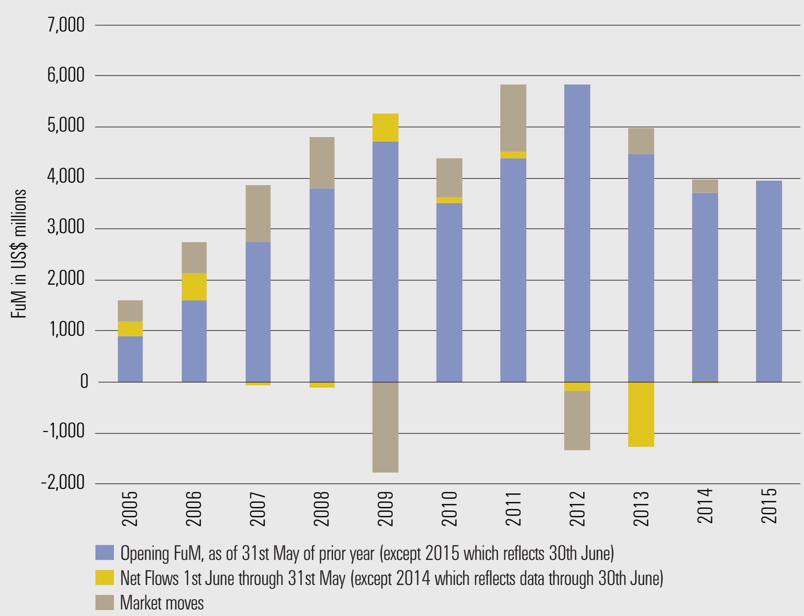
Global composite investment returns for the emerging market closed-end fund strategy for the rolling twelve months ending June 30, 2014 were 18.14% vs. 14.31% for the MSCI Emerging Markets Index in USD and 4.8% vs. 1.4% for the benchmark in GBP.

Global composite investment returns for the developed market closed-end fund strategy for the rolling twelve months ending June 30, 2014 were 27.24 % vs. 21.75% for the MSCI ACWI ex US in USD and 12.87% vs. 8% for the benchmark in GBP.

Composite investment returns for the Frontier Emerging Market closed-end fund strategy for the rolling twelve months ending June 30, 2014 were 27.73% vs. 26.98% for the S&P Frontier EM 150 benchmark in USD and 13.31% vs. 12.63% for the benchmark in GBP.

Composite investment returns for the Natural Resource equity strategy for the rolling twelve months ending June 30, 2014 were 28.82% vs. 19.12% for the Euromoney Global Mining 100 Index in USD and 14.26% vs. 5.66% for the benchmark in GBP.

Total in flows – out flows



Outlook

Marketing efforts will be targeted at investment consultants, foundations, endowments and pension funds in the US and Europe. We will also be introducing our capabilities to family offices, outsourced CIO firms and alternative consultants. Our Developed, Global Tactical Asset Allocation, Frontier Emerging Market and Natural Resource equity capability will be the focus of our product diversification and business development activities.

KEY PERFORMANCE INDICATORS AND KEY RISKS

The key performance indicators below are derived from assumptions made by management of the key risks to the Group. These assumptions are included as part of the bar chart, headed Dividend Cover, on page 15 and are covered in more detail within Our Strategy and Objectives, Business development review and Financial review.

KEY PERFORMANCE INDICATORS

- **Funds under Management (FuM)** – This is the total value of assets managed for clients and the main determinant of the Group's income.
- **Investment performance** – This is the record of investment returns generated for clients relative to benchmark indices.
- **Operating margin** – This is the weighted average net fee rate, after commissions and custody charges, earned by the Group (currently 86 basis points).
- **Expenditure** – These are the costs related to running the Group.
- **Dividend cover** – This is the ratio of net profit, after taxes, required to pay a dividend to shareholders.

KEY RISKS

The following key risks may influence the performance indicators and thus impact the Group's profits.

1. Funds under Management

- **Client investment flows** – What success has there been in attracting new assets; is there client interest in emerging markets; and what are consultants advising?
- **Client concentration** – Undue dependence on a single or small number of institutional clients.
- **Exchange rates** – Our costs are primarily in GBP and USD with smaller influences from SGD and AED. Our income is almost entirely in USD.
- **Currency risk, specifically emerging market currencies** – While the level of the benchmark index is driven by share prices, perceptions of value within our asset class are driven by perceptions of emerging market currency valuations.

2. Investment performance

- **Investment performance** – How good are country allocation decisions, what is the size-weighted average discount variation within portfolios; and are investment decisions implemented successfully?
- **Market performance (primarily driven by emerging markets)** – The level of the Morgan Stanley Emerging Markets Total Return Index is the main index that affects our FuM. The relative level of this index also affects investor behaviour towards our asset class.
- **Capacity** – Opportunity set is finite and capacity must be limited to ensure ongoing pricing anomalies.
- **Staff risk** – Loss of key staff in competitive investment environment.

3. Operating margin

- **Client fees** – These will vary as a result of fee rate changes, the level of the benchmark index, currencies, client flows and investment performance.
- **Marketing commission run-off** – Please see table on page 20 for details. This will vary based upon client retention, funds under management, and exchange rates.

4. Expenditure

- **Staff retention expenses** – Salary and bonus expectations could rise above budget.
- **Administration expenses** – Office, travel, and information technology costs could rise above budget.
- **Custody fees payable** – These are market related and increase and decrease with FuM movements.
- **Regulatory compliance** – Ongoing costs to meet new regulations.

5. Dividend cover

- **Corporate tax rate** – Tax rates could rise above budget.
- **Depreciation and amortisation** – Any major capital investment will increase the charge to the P&L.

FINANCIAL REVIEW

Marketing commission run-off (based on FuM at 30th June 2014)

Financial year	£m (@ $1.71/£1)
2013-14*	2.6
2014-15	2.2
2015-16	1.7
2016-17	1.5
2017-18	1.2
2018-19	0.8
2019-20	0.1

* 12 months commission to 30th June 2014 at 1.71

Consolidated income statement and statement of comprehensive income

As you will be aware the Group has changed its financial year end from 31st May to 30th June therefore the results presented in the consolidated accounts are for thirteen months (the "period") and are comparable to the previous twelve month period to only a limited extent. For that reason, where appropriate a pro-rated comparison figure will be provided.

Gross revenue for the period was £24.2 million (2013: £29.4 million) and relates to management fees charged as a percentage of funds under management ("FuM") which fluctuated during the period from a low of US$3.2 billion to close on 30th June 2014 at US$3.9 billion (2013: US$ 3.7 billion, see FuM graph on page 14). The subscriptions and redemptions for the period netted out to almost zero with the first six months showing net outflows. A net inflow resulted in the latter half of the period as potential mandates came to fruition and client re-balancing and redemptions slowed.

The commissions payable of £3.1 million (2013: £4.2 million) relate primarily to a third party marketing agent whose contract expired in October 2010. Under the terms of the agreement, commission is based on a period of ten years from the date of initial investment. A table illustrating the projected run-off of these commissions is shown opposite.

Custody fees relating to the safekeeping and administration of the assets of our commingled funds amounted to £0.8 million (2013: £1.2 million).

The net of the above is £20.3 million (2013: £24.0 million) and represents the Group's net fee income. As a percentage of FuM, net fee income is currently running at 86 basis points which compares to 92 basis points this time last year.

Overheads for the thirteen month period amount to £10.3 million, which on an annualised basis equates to £9.5 million and compares to £10.8 million in 2013 (excluding exceptional costs of £0.7 million). From this it is clear to see that the savings from the cost efficiencies instigated in the latter half of the last financial year have been realised. In addition a further saving of £0.2 million was made by temporarily reducing the profit share pool from 30% to 28%. Including payroll related taxes, the cost of profit share for the period is £3.0 million (2013: £4.1 million).

Interest receivable and similar gains of £0.2 million includes bank interest on deposits of £0.1 million and £0.1 million on the sale of investments. The sale of investments relates primarily to a partial sale of the Company's seed investment in the CLIM International CEF Fund.

The net of all the components above results in a pre-tax profit of £7.2 million (2013: £8.9 million). This resulted in corporation tax of £2.0 million (2013: £2.6 million) representing an average tax rate of 28% compared to 29% in 2013, which is due in part to the reduction in the UK corporation tax rate but principally to the geographical mix of the business.

Total comprehensive income is essentially the same as the post-tax profit at £5.2 million (2013: £6.6 million and £6.3 million respectively). However, this is after a gain of £0.2 million in the value of the Group's seed investments less £0.1 million taken as a realised gain on the partial disposal mentioned above (2013: £0.5 million and £0.2 million respectively). Also included for the first time this financial period is the impact of the US dollar/sterling exchange rate movement on the US non-monetary assets from the date of purchase to the date of reporting, which amounted to a loss of £0.1 million. The prior year value was negligible and no restatement was therefore required.

Consolidated statement of financial position and statement of changes in equity

The Group's financial position remains relatively healthy with no borrowings and net assets of £13.9 million (2013: £14.6 million), the major part of that being cash of £10.2 million (2013: £10.1 million).

The movement in net assets during the period is primarily attributable to:

- A decrease in available-for-sale financial assets of £2.6 million which reflects the partial redemption of our seed investment in the CLIM International CEF fund and the liquidation of the Absolute Return fund.
- A reduction in non-current assets of £0.2 million mainly due to depreciation and amortisation, the currency translation of US non-monetary assets and no major capital expenditure during the period. A full breakdown can be found in notes 11 and 12 on pages 64 and 65.
- An increase in net assets of £0.4 million relating to the revaluation of our outstanding forward value US dollar/sterling trades against the forward market rate available at 30th June 2014.
- A decrease in accruals of £1.7 million, of which £1.6 million relates to the release of the 2013 profit share provision upon payment. The final payment of the Group's annual bonus has historically been in June so with the change of financial year from 31st May to 30th June, no provision was required at the end of the period, except for a small amount relating to deferred payments to Directors, details of which can be found in the Directors' Remuneration report on page 40.

The major movement in capital and reserves is the reduction in retained earnings of £0.8 million which is the net of this period's profit of £5.2 million (2013: £6.3 million) and the dividends paid during the period which totalled £6.0 million (2013: £6.0 million). The dividend comprised the 16p final dividend for 2012/13 plus the 8p interim dividend for the current financial period. The Group's dividend policy is set out on page 15.

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.

Consolidated cash flow

Cash generated from operating activities is generally reflective of the Group's profits, but the change in financial year end has created a few timing differences, the main one being profit share. As mentioned earlier, a provision for profit share would usually be made at year end and the cash payment would flow through the following year. Consequently, the cash flow for this thirteen month period captures the profit share payments made in both June 2013 and 2014.

In addition to cash generated from operating activities of £3.7 million (2013: £7.6 million) the Group raised £2.7 million (2013: £4.0 million) through the sale of investments (net of purchases). The cost of dividend payments to shareholders of £6.0 million (2013: £6.0 million) brought the net cash raised to £0.4 million. The effect of exchange rate differences on foreign currency bank deposits for the financial period was a loss of £0.2 million (2013: nil). It should be noted that the overall impact on the consolidated income from translating the Group's foreign currency assets and liabilities into sterling was minimal, due to the Group's hedging strategy which is detailed on the next page and in note 25 to the accounts.

FINANCIAL REVIEW

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

FuM US$bn:	3.0	3.5	4.0	4.5	5.0
US$/£	Post-tax, £m				
1.55	3.8	5.2	6.6	8.0	9.5
1.60	3.6	5.0	6.3	7.7	9.1
1.65	3.4	4.8	6.1	7.4	8.7
1.70	3.2	4.5	5.8	7.1	8.4
1.75	3.1	4.3	5.6	6.9	8.1

Assumes:
1. Average net fee 86 bp's
2. Annual operating costs £4.0m plus $7m plus S$1.4m (£1 = S$2)
3. Profit-share 30%
4. Average tax rate 27%

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 US dollar/sterling exchange rate was 1.52 at the end of May 2013 and sterling has steadily strengthened against the dollar during the period to close at 1.71 on 30th June 2014. The table opposite aims to illustrate the effect of a change in the US dollar/sterling exchange rate on the Group's post-tax profits at various FuM levels, based on the assumptions given, which are a close approximation of the Group's current operating parameters. You can see from the illustration that a change in exchange rate from 1.55 to 1.70 on FuM of US$3.5 billion reduces post-tax profits by £0.7 million.

It is worth noting though that whilst the Group's FuM is reported in US dollars the underlying investments are primarily in emerging market related stock, and therefore the US dollar market value is sensitive to the movement in the US dollar rate against the currencies of the underlying countries. To a degree this provides a natural hedge given that as the US dollar weakens (strengthens) against these underlying currencies the value of the FuM in US dollar terms rises (falls).

Another aspect of the Group's currency exposure 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 this impact the Group monitors its net currency position and offsets it by forward sales of US dollars for sterling. At 30th June 2014 these forward sales totalled US$ 5.3 million, with a weighted average exchange rate of 1.65 to £1 (2013: US$ 10.9 million at a weighted average rate of 1.586 to £1).

CORPORATE AND SOCIAL RESPONSIBILITY

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

Group policies are focused on four key areas:

1. WORKPLACE
2. ENVIRONMENT
3. ETHICS
4. COMMUNITY

1. WORKPLACE

Employee welfare

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

- Recognition of diversity through recruitment and promotional decisions 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.

Gender diversity

At 30th June 2014 there were three executive and four non-executive Directors of the Group, all of whom are male. Of our 70 employees, 30% are female, including 25% of senior management, and 42% of middle management.

2014	Female	Male
Directors	0	7
Senior Managers	1	3
Middle Management	10	14
All other employees	10	25

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. 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.

CORPORATE AND SOCIAL RESPONSIBILITY

CONTINUED

This financial period we have sponsored employees for their CFA, IMC, and IOC studies. We also ran a series of workshops for team leaders focused on improving their communication and management skills. 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.

We recognise the value of cross-training across our offices and regularly transfer employees to other offices to obtain experience. This period, a Portfolio Manager and a Desk Assistant from our Pennsylvania office have transferred for six month secondments to our Dubai and London offices respectively.

Internal training is available to all employees on the products we offer. We are also in the process of revising our employee induction process. In addition to their first day induction and 'on the job' training, we will hold cross-department briefings with staff who have been with us for approximately six months to provide them with a broader understanding of how the business operates.

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 new 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 within an overriding target to reduce absolute levels of emissions and waste volumes:

- Maximise use of video-conferencing facilities, which exist in all four 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' has been replaced across the Group and is now 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.
- The appointment of an executive Director, Barry Olliff, to oversee the Group's environmental performance.
- Communication of our environmental policies to all stakeholders.

Mandatory carbon reporting

Under the new 2013 regulations, listed companies are required to report their annual greenhouse gas emissions. As the requirement is to report a twelve month period, our first reporting period is the twelve months ending 30th June 2014, and this will be used as our base year going forward. As this is the first time we have reported carbon emissions, no comparative data is available. We will employ a base year recalculation policy if and when structural changes to the calculation process result in a 'significant' variation from the base year emissions, defined as being in excess of 10%.

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 twelve months ending 30th June 2014.

Our target for the next twelve months is to make an absolute reduction in our intensity ratio of tonnes of CO_2e per FTE.

Total CO_2e emissions

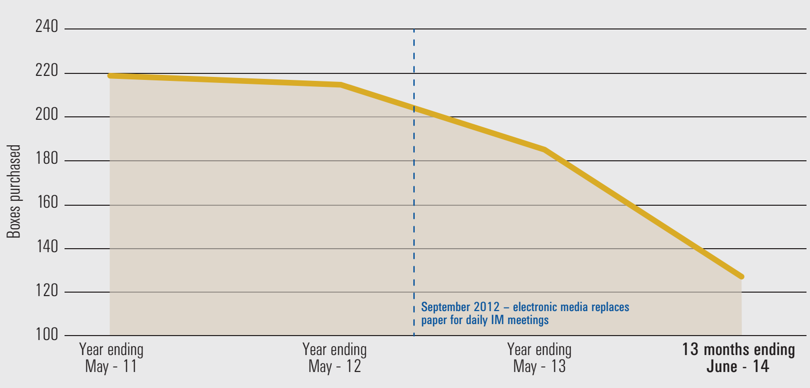
	2013/14 Outcome		2014/15 Target
	Tonnes of CO_2e	Intensity ratio Tonnes of CO_2e per employee	Intensity ratio Tonnes of CO_2e per employee
Scope 1	–	–	N/A
Scope 2	**173.2**	**2.55**	<2.55
Purchased electricity	*173.2*		
Scope 3	**411.6**	**6.05**	<6.05
Business air travel	*397.7*		
Electricity transmission and distribution losses	*13.9*		
Total	**584.8**	**8.60**	<8.60

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.

Paper usage

As previously mentioned the Group made the decision to switch from paper print-outs to electronic media for its daily Investment Management meetings in September 2012 with the aim being to improve the processing and distribution time and cut our paper usage as much as possible. This, along with encouraging employees to seek alternatives to printing wherever possible, has resulted in our everyday paper usage dropping by 41% over the last three years. We continue to look for opportunities to further reduce our usage.

Annual everyday paper usage



CORPORATE AND SOCIAL RESPONSIBILITY

CONTINUED

3. ETHICS

The majority of client assets managed by City of London Investment Group are invested in closed-end funds in the emerging international equity markets. The collective nature of this investment vehicle precludes CLIG from directly screening individual portfolio companies using ethical investment criteria. The Group has instead focused its efforts on attempting to engage with the Boards of Directors, and the investment managers, of closed-end funds to make them aware of ethical investment criteria which are important to our clients. Some examples of ethical investing issues that have been raised by clients include respecting international sanctions regimes, protection of human rights, health effects of tobacco and bans on the purchase of armaments.

CLIG is committed to the highest possible standards of investment ethics and transparency, as evidenced elsewhere in this report and, to this end, the Group seeks to ensure that the managers of those collective investment vehicles, in which we invest our clients' funds, maintain appropriate corporate governance policies in critical areas such as management fees, board structure, discount management and shareholder communications. CLIG's pro-active approach to investee corporate governance policies has been directly responsible for a significant number of corporate "actions" that have served to enhance shareholder returns and the Group is committed to exercising its rights in this regard to the fullest extent possible.

Within CLIG, all 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.

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.
- Introducing COLeague News, an internal CLIG document, to help raise awareness, share efforts and spread participation across all four offices.

2013/2014 Highlights include:

- Chester County Food Bank (US) and World Vision (Singapore) volunteer activities to support underprivileged students in surrounding schools.
- Blood Drive through the American Red Cross (US).
- Elite Companies Charitable Foundation 5K run (US) and London Marathon run for Alzheimer's Society (UK).
- Salvation Army gift giving and donations (US and Dubai).
- Fundraising for Genetic Disorders & Breast Cancer charities (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.

For and on behalf of the Board

Barry Olliff
Chief Executive Officer
12th September 2014

Should shareholders have any questions with regard to the content of this report, they are welcome to email us at info@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

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. He has been a director of two London listed Investment Trusts and is currently a director of the Dublin based fund manager Hosking & Co. David Cardale holds an MBA from INSEAD.

B M Olliff CHIEF EXECUTIVE 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.

C M Yuste BUSINESS DEVELOPMENT DIRECTOR

Carlos Yuste joined the Group in 2000. From 1994 to 1998 he worked as a Project Officer at the International Development Research Centre in Ottawa, which specialises in emerging markets research. He holds an MBA (Finance) from the Schulich School of Business, York University, an MA in Political Economy from Carleton University, and a Bachelor of Social Sciences from the University of Ottawa.

T W Griffith 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.

Dr A S Bufferd NON EXECUTIVE DIRECTOR

Allan Bufferd is Treasurer Emeritus of Massachusetts Institute of Technology ("MIT"), where he served for over 30 years prior to his retirement in 2006. At MIT, he served as an ex-officio member of the governing board and its executive committee, and supervised the formulation and implementation of investment policy for US$12 billion of endowment and retirement fund assets. He is a current or former member of a large number of corporate, foundation and investment advisory boards.

R A Dartnell NON EXECUTIVE DIRECTOR

Rian Dartnell is CEO and CIO for SHL Capital (USA), Inc. and is a trustee of, or adviser to, a number of US Foundation and Endowment committees. His past experience includes many years as Chief Investment Officer for Granite Associates, senior roles at Bankers Trust, where he focussed on Africa, Eastern Europe and the Middle East, and at Global Asset Management, where he was a fund manager responsible for international funds with an emphasis on Emerging Markets and Asia, initially based in London and subsequently in Brazil. Rian holds a BSc (Econ) and MSc (Econ), both from the London School of Economics and Political Science.

B A Aling (appointed 01.08.13) 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. He is a British national and resident.

DIRECTORS' REPORT

Principal activity

City of London Investment Group PLC is the holding company for the Group as detailed in the table below. The principal operating subsidiary is City of London Investment Management Company Limited, which acts as an investment adviser and which advises on 31 accounts (2013: 25 accounts) with a total of £2,305 million (2013: £2,443 million) under management as at 30th June 2014. Accounts may be commingled or segregated. City of London Investment Management Company Ltd has a subsidiary in Singapore and a branch in Dubai.

Subsidiary undertakings	Activity	Holding of ordinary shares
City of London Investment Management Company Limited	Management of funds	100%
City of London US Investments Limited	Holding company for US companies	100%
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	
City of London Latin America Limited	Dormant company	
City of London US Investments Limited holds 100% of the ordinary shares in the following:		
City of London US Services Limited	Service company	

All the companies above are incorporated in the UK and registered in England and Wales except for City of London Investment Management (Singapore) PTE Ltd which is incorporated and registered in Singapore.

All of the above mentioned companies are included in the consolidated financial statements of the Group. In the opinion of the Directors, the value of the subsidiaries is at least equal to their cost.

Going concern

The Directors' report should be read in conjunction with the Chairman's statement and the Strategic report on pages 2 to 27, 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 required by section 417 of the Companies Act .

During the thirteen months to 30th June 2014 the Group has 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 thirteen months to 30th June 2014, together with details of amounts transferred to reserves, are set out on pages 52, 54 and 55.

The Company has paid dividends of £6,031,062 during the period (2013: £6,046,712). The final dividend for the thirteen month period to 30th June 2014 of 16p per share (2013: 16p) has been proposed, payable on 31st October 2014, subject to shareholder approval, to shareholders who are on the register of members on 10th October 2014.

Annual General Meeting

The Company's AGM will be held at 11.30am on Wednesday, 22nd October 2014, at 77 Gracechurch Street, London EC3V 0AS.

Directors

The names and biographical details of the current Directors of the Company are given on page 28. Barry Aling was appointed to the Board on 1st August 2013.

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 period and are currently in force.

Own shares

The Company is, until the date of the next Annual General Meeting (AGM), generally and unconditionally authorised to buy back up to 2,697,270 of its own ordinary shares of nominal value £0.01. The Company did not purchase any of its own shares in the period under review (2013: purchased and cancelled 202,043 ordinary shares at £2.55 representing approximately 0.75% of called up share capital at the time of the transaction). The Company is seeking a renewal of this authority at the 2014 AGM.

The Company's employee benefit trust did not purchase any own shares in the period under review. The number of own shares held by the trust as at 30th June 2014 was 1,832,783 (2013: 1,843,283), of which, 1,763,190 shares (2013: 1,773,865) were subject to options in issue. The Trust has waived its entitlement to receive dividends in respect of the shares held.

Substantial shareholdings

At 31st July 2014, 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
B M Olliff	3,130,000	11.6
BlackRock Investment Management	1,858,007	6.9
The City of London Employee Share Option Trust	1,832,783	6.8
Hargreave Hale	1,719,740	6.4
Newlin Foundation	1,043,252	3.9
Polar Capital	875,000	3.2

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 31 to 34.

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 23 to 27.

Auditors

A resolution to re-appoint Moore Stephens LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

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

Barry Olliff
Chief Executive Officer
12th September 2014

CORPORATE GOVERNANCE REPORT

Directors

The Board comprises:

- the non-executive Chairman, who is independent of the Company and its major shareholders and was considered independent at the time of his initial appointment;
- three executive Directors (the Chief Executive, Business Development Director and Chief Operating Officer); and
- three further non-executive Directors, all of whom are independent of the Company and its major shareholders. Brief details of all the Directors may be found on page 28.

Corporate governance

General corporate governance compliance

The UK Corporate Governance Code has applied to the Company from 1st June 2011. The Company considers itself a smaller company for the purposes of compliance with the Code.

The Board is committed to high standards of corporate governance. There are however a small number of provisions within the UK Corporate Governance Code 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 UK Corporate Governance Code recommends that performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive Directors and should be designed to link rewards to corporate and individual performance and align their interests with those of shareholders and to give those Directors strong incentives to perform at the highest levels.

In particular, the UK Corporate Governance Code recommends that annual bonuses should be subject to performance conditions that are relevant, stretching and designed to enhance shareholder value and that upper limits should be set and disclosed. The UK Corporate Governance Code also recommends that there may be a case for part payment of bonuses in shares which are to be held for a significant period.

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. 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. 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. The Remuneration Committee will keep the Company's remuneration policy under review but does not currently intend to make any changes in the short to medium term.

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 must not be 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 ratio between fixed and variable remuneration.

CORPORATE GOVERNANCE REPORT
CONTINUED

Share options
The ABI 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 2014 the dilutive awards outstanding represented 1.0% of issued share capital (2013: 1.0%).

In addition, the ABI Guidelines recommend that no more than 5% of a Company's issued share capital be held in an employee benefit trust (EBT). As of 30th June 2014 the EBT holding comprises 6.8% of issued share capital (2013: 6.8%).

The Company has found that the issue of share awards to executives and employees has been a very useful tool in motivating and retaining key staff, and the Board intends to continue to maintain a flexible approach to share incentives and to seek to encourage significant employee ownership. The Board believes that this policy is consistent with both client expectations and shareholder objectives.

The Board
The UK Corporate Governance Code recommends that 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. The UK Corporate Governance Code recommends that smaller companies should have at least two independent non-executive Directors.

Currently, the Board is composed of seven members, consisting of the non-executive Chairman, the executive Directors (three in total) and the non-executive Directors (three in total). Accordingly, no individual or group of individuals can dominate the Board's decision making.

The independence of non-executive Directors is considered at least annually and is based on criteria suggested in the UK Corporate Governance Code, and 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 UK Corporate Governance Code, as do the three non-executive Directors.

The UK Corporate Governance Code recommends that the Board should appoint one of its independent non-executive Directors as Senior Independent Director and Allan Bufferd 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 has failed to resolve or for which such contact is inappropriate.

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. The Directors complete performance evaluations to ensure that the Board and its committees are operating effectively and that each Director is contributing effectively and continues to demonstrate commitment to the role.

Board diversity
The Board recognises 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 qualitative 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 Committees
The Board has established Nomination, Remuneration and Audit 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 June 2013 and 30th June 2014	7	4	5	4
Attendance:				
Barry Aling (Appointed to the Board 1st August 2013)	6	1	1	2
Allan Bufferd	7	4	5	3
David Cardale	7	2	2	2
Rian Dartnell	7	4	5	4
Tom Griffith	7	–	–	–
Barry Olliff	7	–	–	–
Carlos Yuste	7	–	–	–

Internal control
The Group maintains a comprehensive system of internal control, including financial, operational and compliance controls. Each function within the firm is subject to a formal six monthly review by senior management, who are required to identify and report on the key controls pertinent to their responsibilities. The Board reviews the effectiveness of the system of internal control annually and this process is subsequently evaluated by the Audit Committee.

The Board and the Audit Committee have considered 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.

Risk management
The Board has established a Risk & Compliance Committee which consists of the three executive Directors, the head of Emerging Market closed-end funds in London and the head of compliance. The Committee meets monthly to provide the executive Directors and members of the compliance department with a regular forum at which to ensure any relevant issues are discussed and agreed upon. The 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. On a monthly basis, the Committee reviews management information such as breaches and errors, personal account dealing, other business interests, gifts and hospitality, complaints, plus any additions/amendments to various logs such as the risk register and conflicts of interest log. The Committee reports to the Board on a quarterly basis.

Shareholder relations
Communication 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. So far as possible, all of the Directors attend the Annual General Meeting either in person or by video-conference.

Rights of the shareholder
The Company is financed by 26,972,707 (2013: 26,937,707) £0.01 ordinary shares carrying one vote per share and a right to dividends.

David Cardale
Chairman
12th September 2014

NOMINATION COMMITTEE REPORT

It is my pleasure to present this first report of your Nominations Committee. It was a period of stability and growth.

I am pleased to report a period of diligent progress among the Directors of your company. The executive Directors, Barry Olliff, Carlos Yuste and Tom Griffith provide seasoned judgment and acumen on the Board. They maintain their clear focus on management, providing careful stewardship for shareholders, for investment management clients and the capable team that manages your company. Their performance standards are exacting, yet the culture and ethos among management and the team is collegial and friendly.

Our Non-Executive Director (NED) ranks combine talented and seasoned individuals. Our Chairman, David Cardale, knows the company well and has provided deft handling of the Board since taking on the Chairman role (two years ago). Allan Bufferd provides a lifetime of experience in asset management and superb judgment and empathy in his role as Chairman of the Remuneration Committee. Barry Aling is our most recent member of our Board, having taken up his NED role in August of last year. Barry is a capital markets and management veteran. He is making important contributions and took on the role of Chairman of the Audit Committee within a few months of joining. As Chairman of the Nominations Committee, it is my pleasure to collaborate with these fine individuals.

I consider it my role to introduce high calibre individuals and groups to CLIG. Good people meeting good people opens up numerous possibilities. During the period, we met with several talented prospective NED candidates. This effort is designed to build our network among thoughtful and capable individuals. It also allows us to be prepared with a strong roster of highly qualified individuals.

Terms of reference

The Nomination Committee has defined terms of reference which are published on the Company's website and assists the Board in discharging its responsibilities relating to the composition and make up of the Board.

The Nomination Committee is responsible for making recommendations on the appointment of additional Directors and for reviewing the size, structure and composition of the Board and the membership of Board committees. Appointments are made on merit and against objective criteria; care is taken to ascertain that appointees have sufficient time available to devote to their position.

Membership

The Company's Nomination Committee is chaired by Rian Dartnell and comprises two other independent non-executive Directors, Allan Bufferd and Barry Aling who was appointed by the Board on 17th April 2014. David Cardale served on the Committee up until his resignation on 7th October 2013. The UK Corporate Governance Code provides that a majority of the members of the Nomination Committee should be independent non-executive Directors. The Company therefore considers that it complies with the UK Corporate Governance Code recommendations in this regard.

Meetings

The Nomination Committee will meet formally at least twice a year and otherwise as required. During the period to 30th June 2014 the Committee met on four occasions, and composition of the Board, its Committees and further discussions regarding potential new appointments were discussed.

Rian Dartnell
Chairman
12th September 2014

AUDIT COMMITTEE REPORT

Terms of reference

The Audit Committee's terms of reference include monitoring and evaluation of the integrity of the Group's financial statements, formal announcements to shareholders concerning all aspects of financial performance, oversight of the internal procedures for measurement and control of risk and compliance functions and review of the effectiveness and independence of the external audit process, including the terms of appointment and remuneration of the Group's auditors. The Committee also has responsibility for ensuring that suitable whistleblowing arrangements are in place to allow employees to raise, in confidence, any matters or impropriety in order that suitable remedial action is taken.

Membership

In accordance with the recommendation contained in the UK Corporate Governance Code, the Committee comprises three independent non-executive Directors, namely Barry Aling, who was appointed Chairman on 7th October, 2013, Allan Bufferd and Rian Dartnell, the previous Committee Chairman. 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. As of the date of this report, Mr Bufferd has served on the Committee for four years and Mr. Dartnell for three years.

Meetings and activities

The Audit Committee meets at least three times annually and four meetings were held in the 13-month fiscal period to 30th June, 2014, all of which were also attended by the Group's financial controller. Members' attendance at these meetings is included in the schedule of attendance on page 33 of this report. The first two meetings in 2013, which were concerned with the formal preparations for, and results of, the 2013 annual external audit conducted by Moore Stephens LLP, revealed no items of material significance, as reflected in the Audit Report dated 5th September, 2013. The third meeting, held in January 2014 was concerned principally with the Group's interim report to shareholders, including the accompanying Independent Review Report compiled by Moore Stephens LLP. The fourth meeting, held in May 2014, was concerned principally with the audit plan and attendant requirements for the Annual Report to shareholders in respect of the 13-month period to 30th June, 2014. Particular emphasis was given to the significant changes that have become necessary as a result of the revised UK Corporate Governance Code, including the requirement for a Strategic report by the Board and detailed, separate reports by each of the three Board Committees. In summary, while a number of minor issues have been raised as a result of input from both the external auditors and internal compliance and control staff, each of which have been addressed, the Committee has not identified any material issues which either cause concern or require re-statement of the Group'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 since these are held independently by third-party custodians. Similarly, management fees are accrued monthly based on data which is provided by the third-party custodians and reconciled to the Company'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 mis-statement. Similarly, costs are tightly controlled and adhere closely to forward budgeting processes with material variations limited to movements in exchange rates across the Group's four offices.

Since the Group has no debts and only immaterial levels of intangible assets, the scope for mis-statement of the balance sheet is very limited and no significant variances have been identified by the Committee in recent years.

The Group maintains a risk register which is updated quarterly and reviewed on a constant basis by executive management in conjunction with 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 and it is notable that in the period to 30th June, 2014 refinements to the investment process resulted in a notable improvement in relative performance. Beyond these front-office roles, however, the risk register highlights a number of functions which constitute key areas of commercial risk. 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 of these mandates occur and that all aspects of client confidentiality are strictly maintained and the monitoring of the controls necessary to comply with these requirements represent a core function for the compliance and control department. Potential risks from systems or hardware failure are also highlighted by the Group's risk register and appropriate disaster recovery procedures are in place across all four offices to ensure that there are no interruptions to full functionality. It is also notable that the increasing regulatory burden itself represents a growing risk to the business in terms of compliance obligations in different jurisdictions and additional resources have been earmarked in the current year to meet this burden. For the period to 30th June 2014, the Committee is satisfied that the Register has been properly amended and maintained in light of a number of immaterial breaches and errors and that training procedures adequately reflect such changes and the remedies applied.

External Auditor

Compliance with the Code in respect of the Group's Auditor is adhered to as Moore Stephens LLP have been the Group's auditor since 2007 and Lorraine Bay, the current audit partner, has held that position only for the last two years. The Committee are satisfied that the Auditor is independent, having confirmed that there are no existing or potential conflicts of interest on the part of the audit team during the 13-month reporting period to 30th June, 2014.

Barry Aling
Chairman
12th September 2014

DIRECTORS' REMUNERATION REPORT

THE REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

This period's Remuneration report is our first report prepared in accordance with the new regulations governing the disclosure and approval of Directors' remuneration. This report sets out all aspects of remuneration in respect of the Company's Directors and has been divided into two parts:

- the annual report on remuneration, which provides details on remuneration for the thirteen months to June 2014 (consistent with the change in our fiscal year from May to June) and which will be subject to an advisory shareholder vote at the 2014 AGM; and
- the Directors' remuneration policy which will be subject to a binding shareholder vote at the 2014 Annual General Meeting (AGM) and every three years thereafter.

While the format of this report has changed to reflect the increased requirements of the regulations, the approach of the Remuneration Committee has remained consistent with previous years.

The fundamental rationale of the Group's remuneration philosophy is driven by our core objective to provide an appropriate balance among all stakeholders in the Company: clients, shareholders, employees and management. This balance is expressed through criteria which provide guidance to the Committee in proposing changes in base salary, in the bonus provided, and to any changes in employee benefits.

There is also included with this Report 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.

The specific criteria may be summarised as follows:

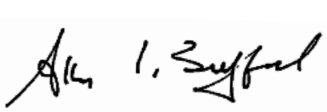
Base salary
To pay a fair base salary, commensurate with the size of the business and the individual's role and experience.

Bonus
To provide 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. Bonus awards are made by the Board following recommendations by the Remuneration Committee. The annual financial performance of the Group has its most direct impact on the bonus paid to employees and management.

Employee benefits
To provide defined contribution pension arrangements to assist with recruitment and retention and to provide market competitive fringe benefits in other areas.

The most fundamental measure of changes in remuneration for employees and management is the overall profitability of the Group, which in turn is highly dependent on funds under management ("FuM") which in turn is determined by the success of the investment programme and the attractiveness of the Group's products and services to current and new clients.

I hope that you will be able to support the remuneration resolutions submitted for approval at the next annual general meeting.



Allan Bufferd
Chairman of the Remuneration Committee
12th September 2014

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.

Single total figure of remuneration for each Director

	Fees/salary £	Taxable benefits £	Profit share £	Loss of office £	Pension £	13 months to 30th June 2014 £
Non-executive						
D M Cardale	48,750	–	–	–	–	48,750
A S Bufferd	40,309	–	–	–	–	40,309
R A Dartnell	32,500	–	–	–	–	32,500
B A Aling	27,500	–	–	–	–	27,500
	149,059	–	–	–	–	149,059
Executive						
B M Olliff	240,711	–	419,038	–	30,089	689,838
T W Griffith	163,200	–	170,602	–	20,400	354,202
C M Yuste	162,531	–	170,602	–	20,316	353,449
	566,442	–	760,242	–	70,805	1,397,489
Total	715,501	–	760,242	–	70,805	1,546,548

	Fees/salary £	Taxable benefits £	Profit share £	Loss of office £	Pension £	12 months to 31st May 2013 £
Non-executive						
D M Cardale	55,333	–	–	–	–	55,333
A S Bufferd	31,167	–	–	–	–	31,167
R A Dartnell	30,000	–	–	–	–	30,000
L C Ruddick*	25,417	–	–	–	–	25,417
A J Davison	15,173	–	–	–	–	15,173
	157,090	–	–	–	–	157,090
Executive						
B M Olliff	229,387	–	319,230	–	28,673	577,290
D F Allison**	147,116	2,745	135,000	1,100,000	18,390	1,403,251
T W Griffith	154,836	–	171,084	–	19,355	345,275
C M Yuste	154,199	–	171,084	–	19,275	344,558
V S Tannahill***	39,182	686	29,600	200,000	4,898	274,366
	724,720	3,431	825,998	1,300,000	90,591	2,944,740
Total	881,810	3,431	825,998	1,300,000	90,591	3,101,830

* Resigned 28th February 2013
** Resigned 15th April 2013
*** Appointed 1st January 2013, resigned 15th April 2013

Deferred profit share payments

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

	2014		2013	
	£	% of profit share	£	% of profit share
B M Olliff	29,956	7%	–	–
T W Griffith	10,645	6%	–	–
C M Yuste	10,645	6%	–	–

These amounts are included in the Directors' remuneration reported in the table on page 39.

Non-executive Directors fees

The non-executive Directors' fees were last adjusted in September 2010. The following are the annual fees applicable:

	£
For services as non-executive Chairman and Director – David Cardale	45,000
For services as Senior Independent Director – Allan Bufferd	37,000
For services as a Director – Barry Aling, Rian Dartnell	30,000

Executive Directors salary

Thomas Griffith and Carlos Yuste each received a 1% salary increase as of 1st December 2013, in line with the increase awarded to most employees. There were no other salary increases awarded during the period under review.

Taxable benefits

Taxable benefits relate to private medical insurance for executive Directors and their dependants.

Bonus

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 (2013: 2.6%) The 4.2% of pre-tax profits for the period under review was the result of a discussion and an ad hoc agreement between Barry Olliff and the Remuneration Committee to give priority consideration to other stakeholders.

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.

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. The termination payments last year were made under a compromise agreement which prevents the disclosure of any further information.

Share option plan interests awarded during the financial period

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. The options have a ten year life and are exercisable any time after the third anniversary of the date of grant. The options are not subject to any performance conditions and are allocated on a discretionary basis.

Options awarded during the period under review are shown in the table below:

	Number of options									
	Holding 2013	Exercised during the period	Granted during the period	**Holding 2014**	Exercise price £	Price at grant £	Face value at grant £	Vesting period	Vesting date	Expiry date
T W Griffith	12,500	–	–	**12,500**	1.4	1.4	17,500	3 yrs	31/03/2009	31/03/2016
	5,000	–	–	**5,000**	2.61	2.61	13,050	3 yrs	30/01/2010	30/01/2017
	5,000	–	–	**5,000**	2.73	2.73	13,650	3 yrs	30/03/2010	30/03/2017
	12,000	–	–	**12,000**	2.75	2.3	27,600	3 yrs	01/10/2011	01/10/2018
	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
Vested	67,500	0	0	**67,500**						
	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
Unvested	6,000	0	17,000	**23,000**						
Total	73,500	0	17,000	**90,500**						
C M Yuste	5,000	–	–	**5,000**	2.61	2.61	13,050	3 yrs	30/01/2010	30/01/2017
	5,000	–	–	**5,000**	2.73	2.73	13,650	3 yrs	30/03/2010	30/03/2017
	12,000	–	–	**12,000**	2.75	2.3	27,600	3 yrs	01/10/2011	01/10/2018
	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
Vested	55,000	0	0	**55,000**						
	6,000	–	–	**6,000**	3.4875	3.4875	20,925	3 yrs	04/11/2014	04/11/2021
	–	–	17,000	**17,000**	2.55	2.5225	42,883	3 yrs	30/01/2017	30/01/2024
Unvested	6,000	0	17,000	**23,000**						
Total	61,000	0	17,000	**78,000**						

The closing market price of the Company's ordinary shares at 30th June 2014 was £2.85 (2013: £2.585) and the price moved during the 13 month period between a low of £2.135 to a high of £2.9925 (2013: low £2.40 high £ 3.58).

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

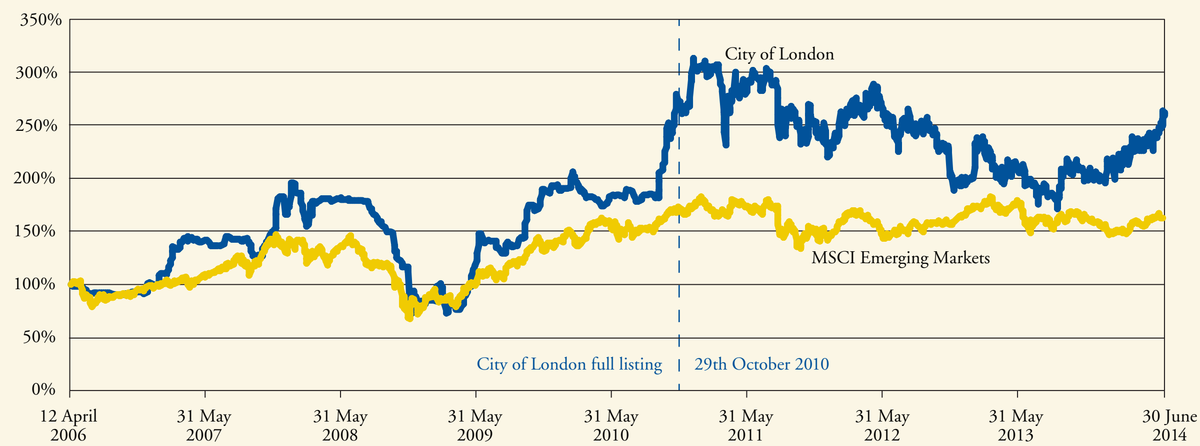
	Ordinary Shares of	
	1p each 2014	1p each 2013
B M Olliff	**3,130,000**	3,080,000
C M Yuste	**327,425**	327,425
T W Griffith	**249,925**	249,925
B A Aling (non-executive)	**94,300**	–
D M Cardale (Chairman) (non-executive)	**53,125**	53,125
A S Bufferd (non-executive)	**30,000**	30,000
R A Dartnell (non-executive)	**20,000**	20,000

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

Total shareholder return

We have altered the relative measurement of our share price from the FTSE Small Cap Index to the MSCI Emerging Markets T/R Index. While the Company is a member of the FTSE Small Cap Index we have decided that a significantly better measurement of the Company share price would be achieved by comparing its performance to the benchmark via which 95% 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 2014 (GBP)



Source: *Bloomberg.*

Chief Executive Officer single figure

The following table shows the total remuneration of Barry Olliff, CEO for the last five 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 £	**13 months to 30th June 2014 £**
CEO single figure remuneration	1,152,351	1,210,763	1,012,801	580,922	**693,422**
Annual bonus (actual award as a % of five year highest bonus)	95%	100%	79%	34%	**44%**
LTIP – % of maximum opportunity	n/a	n/a	n/a	n/a	**n/a**

Note

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 The Regulations require the annual bonus to be expressed as a percentage of the maximum that could have been paid in each year. The Group does not set a maximum annual bonus opportunity so the actual annual bonus award is shown relative to the highest actual award over the last five financial years.

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 2013 to 2014

	CEO	Group employees
Salary	-3%	-2%
Taxable benefits	n/a	7%
Annual bonus awards	31%	-7%

Notes:
– Based on 12/13 of salary reported for 2014 to provide a 12 month comparison
– 2013 excludes ex-Director loss of office payments

While the information presented in the above table shows significant variability in the three categories between the CEO and the Group employees, it should be noted that benefit changes were not uniform across the four offices of the Group located in different countries and further the comparisons include the varying effects of currency exchange rates from one geographic office to another in conversion to sterling for the two years presented.

Relative importance of spend of pay

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

	2014 £	2013 £	% change
Total employee spend	9,549,686	11,665,656	-18%
Average headcount	70	77	-9%
Profit after tax	5,199,513	6,266,442	-17%
Dividends relating to the period	6,032,742	6,017,102	0%

There have been a number of significant changes from 2013 to 2014. Firstly, included in the 2013 figures above are the termination payments to ex-Directors of £1.3 million. The reduced spend in 2014 also reflects the effect of redundancies and the effect of currency exchange rate variations from the overseas offices when converted to sterling, as noted above.

Remuneration Committee

The current members of the Remuneration Committee are Allan Bufferd (Chairman of the Committee), Rian Dartnell and Barry Aling, who was appointed on 17th April 2014. David Cardale served on the Committee up until 7th October 2013. The Remuneration Committee meets formally at least four times a year and otherwise as required. During the thirteen months to 30th June 2014 the Committee met on five occasions 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. Details of attendance by members are set out on page 33.

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

The resolution seeking approval of the Remuneration report at the AGM in October 2013 received the following votes.

	Number of votes	Percentage of votes cast
For*	1,773,155	26.2%
Against	4,985,070	73.8%
Total votes cast	6,758,225	
Votes withheld	725,250	

*includes discretionary votes

The Board acknowledges shareholders concerns with regard to last year's Remuneration report. While this vote was advisory in nature the Board sought to address the issues in a statement released on the day of the AGM, which we have included, below:

> The Board is aware of understandable concerns by shareholders with regard to the firm's remuneration policy.
>
> Firstly, as regards the compensation payments paid to the former CEO and FD, these were made after very extensive consultation and negotiation and were, in the unanimous opinion of the Board, made in the best interests of the Company and its shareholders. Regrettably the Compromise Agreements entered into prevent the disclosure of any further information in connection with those payments.
>
> Secondly, as regards the firm's ESOP programme, the Board is again unanimous that it is in the best interests of CLIG. It should be noted that the shares issued are non-dilutive as they are purchased in the market, no new shares are issued, and, most importantly, our clients continue to emphasise the desirability of significant staff participation in the equity of CLIG.

DIRECTORS' REMUNERATION POLICY

This section has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the new regulations"), the UK Listing Rules and the UK Corporate Governance Code. The policy will be put to a binding shareholder vote at the October 2014 AGM, and, if approved, will take effect from 1st July 2015.

Policy overview

The Remuneration Committee is responsible for determining the Group's policy on Directors' remuneration and other senior managers. The Committee's terms of reference are on the Group's website.

Future policy table

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

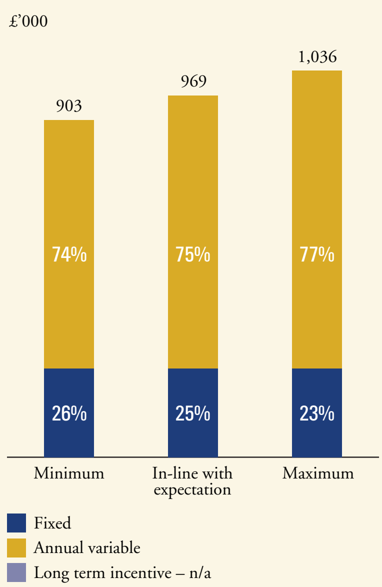
Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS				
Base salary (fixed pay)				
To pay a fair base salary, commensurate with the size of the business and the individual's role and experience.	Reviewed semi-annually, generally effective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

Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS (continued)				
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.	There are no maximum individual bonus payments prescribed. However, Barry Olliff is entitled under his service agreement to a bonus equal to 5% of the pre-tax, pre-bonus profits of the Group, provided those profits exceed £500,000, and payment of this entitlement is covered by Mr Olliff's allocation from the 30% bonus pool.	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.
ESOP				
To encourage both Director and employee share ownership and align their long term interests with that of shareholders.	The Plan is open to employees of all Group companies and Directors who are required to work more than 25 hours per week, provided they do not have a material interest in the Company, that is to say the ability to control more than 25% of the ordinary share capital.	The ESOP is currently permitted to hold up to 10% of the issued share capital of the Company. There are no individual limits prescribed.	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).
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 September 2010. 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.

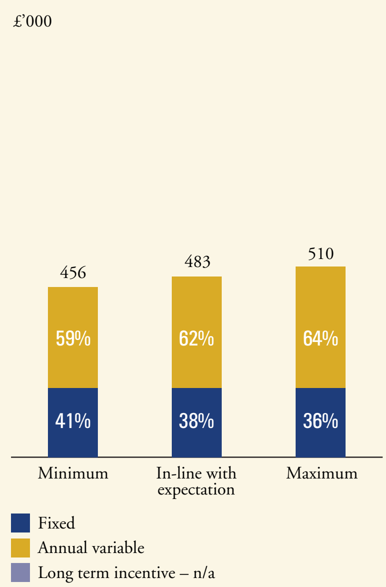
Remuneration policy illustration

The Regulations require the inclusion of a table to illustrate the level of remuneration that would be received by each Director in accordance with the Group's Directors' Remuneration Policy in the first year to which it applies, that is to say the financial year ending 30th June 2016.

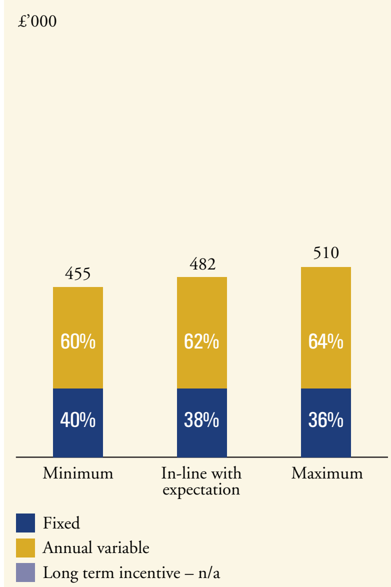
B M Olliff
CEO



T W Griffith
Chief Operating Officer



C M Yuste
Business Development Director



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

These illustrations are as of today and have been created as a result of straight-lining present guidelines and projections, based upon our experience of markets, currencies and our asset class. All of these elements are fairly volatile by nature and are liable to fluctuate.

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 2014. It should also be noted that Mr. Olliff's salary has not increased for 10 years.

The Remuneration Committee reserves the right to modify any of the above relationships and assumptions at their discretion.

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, it 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 nominal policy limit would be described 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 whose contract is valid until he reaches 75 years of age. Termination of any service contract requires not less than 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, except for Barry Olliff whose payment is capped at 135% of salary.

Non-executive Directors do not have service contracts, but are engaged under letters of appointment. They are appointed for an initial period of three years and, subject to shareholder approval, may be re-appointed for a further three years. After three such periods, non-executive Directors are subject to annual re-election. 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 payment.

The Company's Articles of Association currently dictate that any Director who has been in office for more than three years shall retire by rotation. The Board is seeking shareholder approval at this year's AGM to amend the Company's Article of Association in order to allow all Directors to stand for annual re-election, as recommended by the Pensions & Investment Research Consultants (PIRC).

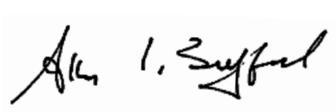
Details of Directors' service contracts and letters of appointment are below:

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	135% of one year's salary
Tom Griffith	1st February 2013	One year	One year	One year's salary
Carlos Yuste	1st February 2013	One year	One year	One year's salary
Non-executive Directors				
David Cardale	6th April 2006	Six months	Six months	Six months fees
Allan Buffered*	24th June 2010	Six months	Six months	Six months fees
Rian Dartnell*	1st June 2011	Six months	Six months	Six months fees
Barry Aling	1st August 2013	Six months	Six months	Six months fees

* Standing for re-election at this year's AGM

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



Allan Bufferd
Chairman of the Remuneration Committee
12th September 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. 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 Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statement;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and a directors' report (including the directors' remuneration report and corporate governance statement) that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the persons who is a Director at the date of approval of this report confirms that to the best of his or her knowledge:

i) the financial statements, prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole;

ii) the strategic report and Directors' report include 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

iii) 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.

For and on behalf of the Board

Barry Olliff
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITY OF LONDON INVESTMENT GROUP PLC

We have audited the financial statements of City of London Investment Group Plc for the period 1 June 2013 to 30 June 2014 which are set out on pages 52 to 74. 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.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 June 2014 and of the Group's profit for the period 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

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

An overview of the scope of our audit and our assessment of risks of material misstatement

The assessed risks of material misstatement described below had the greatest impact on the scope of our audit, our audit strategy, the allocation of resources in the audit and in directing the efforts of the engagement team.

Breach of investment mandate

The risk: As a fund management group, the Group is responsible for managing assets in accordance with mandates specified by clients. The assets managed by the Group are subject to varying degrees of financial risk. Trading outside agreed mandates could lead to, inter alia, financial loss for the Group.

Our response: Our audit work included, but was not restricted to, testing of controls over access to, and reports generated by, the Group's trade order management system, along with detailed sample testing confirming restrictions within certain mandates to the restrictions recorded in the trade order management system, thus ensuring; i) correct restrictions are included for each mandate; ii) the trade order management system is operating correctly; and iii) the daily reports identifying breaches of restrictions are being reviewed with any breaches properly recorded and promptly addressed.

Our findings: Our testing did not identify any deviation in the operation of controls which would have required us to amend the nature and scope of our planned detailed test work, From our detailed sample testing, we found no unexplained deviations between restrictions included within certain mandates and the Group's trade order management system.

Management fees are accurate and complete
The risk: Management fees are calculated using a percentage of assets under management for each mandate the Group manages. Inaccurate assets under management figures, incomplete mandates and / or incorrect percentages applied to assets under management may lead to material inaccuracies in management fee income.

Our response: Our audit work included, but was not restricted to, testing of controls over the Group's reconciliation process in respect of the assets under management figures maintained by the Group and assets under management figures maintained by various fund administrators. We obtained third party confirmations of management fees paid to the Group along with re-performing our own calculations for expected management fee income. We also tested the take on process for new mandates ensuring management fees are recorded from when due.

Our findings: Our testing did not identify any deviation in the operation of controls which would have required us to amend the nature and scope of our planned detailed test work. From our detailed sample testing, we found no significant variance when performing our own calculations of expected management fee income or from the evidence provided by third party confirmations, and that recorded in the financial statements. Further our testing of the take on process for new mandates demonstrated that management fees from new mandates are recorded from the date from which they are due.

Regulatory requirements
The risk: The Group's principal operating subsidiary, City of London Investment Management Company Limited is regulated across four separate jurisdictions. Compliance with regulations is central to the Group's business and can be onerous.

Our response: Our audit work included, but was not restricted to, testing of controls over the completion and review processes, to board level, of the Group's compliance monitoring programme. In addition, we completed specific work on FCA laws and regulations and sought comfort from local regulatory specialists on the Group's compliance with the regulatory requirements in other jurisdictions.

Our findings: Our testing did not identify any deviation in the operation of controls which would have amended the nature and scope of our planned detailed test work. From completion of the work on FCA laws and regulations we found no significant issues resulting in an unqualified Client Asset Report being filed with the FCA in accordance with SUP 3.10.4R of the FCA's handbook. Finally, confirmations received from local specialists provided comfort on compliance with regulations in other jurisdictions.

Our application of materiality
We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements and omissions on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the level of misstatement, including omissions, that could influence the economic decisions of a reasonably knowledgeable user of the financial statements.

We determined materiality for the financial statements as a whole to be £350,000 which was determined by reference to a benchmark of 5% of Group profit before taxation which we consider to cover the principal considerations for members of the Company in assessing financial performance of the Group.

We agreed with the Audit Committee that we would report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £9,000 that have an impact on profit, in addition to other audit misstatements that we believe warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 29, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Lorraine Bay, Senior Statutory Auditor
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

12th September 2014

CONSOLIDATED INCOME STATEMENT

FOR THE 13 MONTHS ENDED 30TH JUNE 2014

	Note	13 months to 30th June 2014 £	Year to 31st May 2013 £
Revenue			
Gross fee income	4	24,215,277	29,363,734
Commissions payable		(3,068,001)	(4,194,097)
Custody fees payable		(844,663)	(1,244,318)
Net fee income		20,302,613	23,925,319
Administrative expenses			
Staff costs	5(b)	9,549,686	11,665,656
Other administrative expenses		3,569,791	3,678,097
Depreciation and amortisation		185,264	222,556
		(13,304,741)	(15,566,309)
Operating profit	7	6,997,872	8,359,010
Interest receivable and similar gains	8	244,412	501,107
Profit before taxation		7,242,284	8,860,117
Income tax expense	9	(2,042,771)	(2,593,675)
Profit for the period		5,199,513	6,266,442
Basic earnings per share	10	20.7p	24.9p
Diluted earnings per share	10	20.6p	24.6p

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE 13 MONTHS ENDED 30TH JUNE 2014

	Group		Company	
	13 months to 30th June 2014 £	Year to 31st May 2013 £	13 months to 30th June 2014 £	Year to 31st May 2013 £
Profit for the period	5,199,513	6,266,442	6,700,608	7,457,808
Items which may be realised through the profit or loss:				
Fair value gains on available-for-sale investments*	169,605	534,357	169,605	534,357
Release of fair value gains on disposal of available-for-sale investments*	(100,727)	(165,621)	(100,727)	(165,621)
Foreign exchange losses on non-monetary assets	(58,639)	–	–	–
Other comprehensive income	10,239	368,736	68,878	368,736
Total comprehensive income for the period attributable to equity holders of the Company	5,209,752	6,635,178	6,769,486	7,826,544

*Net of deferred tax, detailed in note 14.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

30TH JUNE 2014

		Group		Company	
	Note	30th June 2014 £	31st May 2013 £	30th June 2014 £	31st May 2013 £
Non-current assets					
Property and equipment	11	376,831	490,658	126,045	171,063
Intangible assets	12	215,323	306,858	–	–
Other financial assets	13	28,782	37,897	940,457	940,802
Deferred tax asset	14	283,366	239,980	15,776	8,480
		904,302	1,075,393	1,082,278	1,120,345
Current assets					
Trade and other receivables	15	3,635,477	3,538,726	2,288,484	2,206,188
Current tax receivable		–	–	399,537	493,690
Available-for-sale financial assets	16	1,277,708	3,847,526	1,277,708	3,847,526
Cash and cash equivalents		10,242,906	10,061,185	90,045	146,416
		15,156,091	17,447,437	4,055,774	6,693,820
Current liabilities					
Trade and other payables	17	(1,294,456)	(3,130,923)	(438,270)	(3,892,078)
Current tax payable		(760,445)	(671,404)	–	–
Creditors, amounts falling due within one year		(2,054,901)	(3,802,327)	(438,270)	(3,892,078)
Net current assets		13,101,190	13,645,110	3,617,504	2,801,742
Total assets less current liabilities		14,005,492	14,720,503	4,699,782	3,922,087
Non-current liabilities					
Deferred tax liability	18	(98,818)	(90,467)	(98,818)	(90,467)
Net assets		13,906,674	14,630,036	4,600,964	3,831,620
Capital and reserves					
Share capital	19	269,727	269,377	269,727	269,377
Share premium account		2,060,809	2,045,409	2,060,809	2,045,409
Investment in own shares		(4,884,025)	(4,910,800)	(4,884,025)	(4,910,800)
Fair value reserve		371,745	302,867	371,745	302,867
Share option reserve		732,651	716,660	646,862	666,191
Foreign exchange reserve		(58,639)	–	–	–
Capital redemption reserve		20,582	20,582	20,582	20,582
Retained earnings		15,393,824	16,185,941	6,115,264	5,437,994
Total equity		13,906,674	14,630,036	4,600,964	3,831,620

The Board of Directors approve and authorise for issue these financial statements on 12th September 2014.

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

Barry Olliff
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2014

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Foreign exchange reserve £	Share option reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £
At 1st June 2012	268,784	1,980,084	(4,560,603)	(65,869)	–	1,267,553	18,562	16,380,074	15,288,585
Profit for the period	–	–	–	–	–	–	–	6,266,442	6,266,442
Comprehensive income	–	–	–	368,736	–	–	–	–	368,736
Total comprehensive income	–	–	–	368,736	–	–	–	6,266,442	6,635,178
Transactions with owners									
Share option exercise	2,613	65,325	168,625	–	–	(37,159)	–	37,159	236,563
Share cancellation	(2,020)	–	–	–	–	–	2,020	(516,241)	(516,241)
Purchase of own shares	–	–	(518,822)	–	–	–	–	–	(518,822)
Share-based payment	–	–	–	–	–	135,872	–	–	135,872
Deferred tax	–	–	–	–	–	(649,606)	–	(57,325)	(706,931)
Current tax on share options	–	–	–	–	–	–	–	122,544	122,544
Dividends paid	–	–	–	–	–	–	–	(6,046,712)	(6,046,712)
Total transactions with owners	593	65,325	(350,197)	–	–	(550,893)	2,020	(6,460,575)	(7,293,727)
At 1st June 2013	**269,377**	**2,045,409**	**(4,910,800)**	**302,867**	**–**	**716,660**	**20,582**	**16,185,941**	**14,630,036**
Profit for the period	–	–	–	–	–	–	–	5,199,513	5,199,513
Comprehensive income	–	–	–	68,878	(58,639)	–	–	–	10,239
Total comprehensive income	–	–	–	68,878	(58,639)	–	–	5,199,513	5,209,752
Transactions with owners									
Share option exercise	350	15,400	26,775	–	–	(4,145)	–	4,145	42,525
Share-based payment	–	–	–	–	–	(15,184)	–	–	(15,184)
Deferred tax	–	–	–	–	–	35,320	–	5,660	40,980
Current tax on share options	–	–	–	–	–	–	–	29,627	29,627
Dividends paid	–	–	–	–	–	–	–	(6,031,062)	(6,031,062)
Total transactions with owners	350	15,400	26,775	–	–	15,991	–	(5,991,630)	(5,933,114)
At 30th June 2014	**269,727**	**2,060,809**	**(4,884,025)**	**371,745**	**(58,639)**	**732,651**	**20,582**	**15,393,824**	**13,906,674**

COMPANY STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2014

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £
At 1st June 2012	268,784	1,980,084	(4,560,603)	(65,869)	680,509	18,562	4,485,272	2,806,739
Profit for the period	–	–	–	–	–	–	7,457,808	7,457,808
Comprehensive income	–	–	–	368,736	–	–	–	368,736
Total comprehensive income	–	–	–	368,736	–	–	7,457,808	7,826,544
Transactions with owners								
Share option exercise	2,613	65,325	168,625	–	(37,159)	–	18,353	217,757
Share cancellation	(2,020)	–	–	–	–	2,020	(516,241)	(516,241)
Purchase of own shares	–	–	(518,822)	–	–	–	–	(518,822)
Share-based payment	–	–	–	–	135,872	–	–	135,872
Deferred tax	–	–	–	–	(113,031)	–	(49,049)	(162,080)
Current tax on share options	–	–	–	–	–	–	88,563	88,563
Dividends paid	–	–	–	–	–	–	(6,046,712)	(6,046,712)
Total transactions with owners	593	65,325	(350,197)	–	(14,318)	2,020	(6,505,086)	(6,801,663)
At 1st June 2013	269,377	2,045,409	(4,910,800)	302,867	666,191	20,582	5,437,994	3,831,620
Profit for the period	–	–	–	–	–	–	6,700,608	6,700,608
Comprehensive income	–	–	–	68,878	–	–	–	68,878
Total comprehensive income	–	–	–	68,878	–	–	6,700,608	6,769,486
Transactions with owners								
Share option exercise	350	15,400	26,775	–	(4,145)	–	428	38,808
Share-based payment	–	–	–	–	(15,184)	–	–	(15,184)
Deferred tax	–	–	–	–	–	–	7,296	7,296
Dividends paid	–	–	–	–	–	–	(6,031,062)	(6,031,062)
Total transactions with owners	350	15,400	26,775	–	(19,329)	–	(6,023,338)	(6,000,142)
At 30th June 2014	269,727	2,060,809	(4,884,025)	371,745	646,862	20,582	6,115,264	4,600,964

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE 13 MONTHS ENDED 30TH JUNE 2014

	Note	Group 30th June 2014 £	Group 31st May 2013 £	Company 30th June 2014 £	Company 31st May 2013 £
Cash flow from operating activities					
Operating profit		6,997,872	8,359,010	204,465	159,250
Adjustments for:					
Depreciation charges		136,015	177,095	68,533	73,761
Amortisation of intangible assets		49,249	45,461	–	–
Share-based payment charge		(15,184)	135,872	(20,651)	68,739
Translation adjustments		294,202	(8,539)	121,706	(10,594)
(Profit)/loss on disposal of fixed assets		(363)	–	–	–
Cash generated from operations before changes in working capital		7,461,791	8,708,899	374,053	291,156
(Increase)/decrease in trade and other receivables		(96,751)	1,806,608	(82,296)	(1,926,697)
Decrease in trade and other payables		(1,836,467)	(760,344)	(3,453,808)	(2,597,490)
Cash generated from operations		5,528,573	9,755,163	(3,162,051)	(4,233,031)
Interest received		97,369	60,898	713	38
Interest paid		(384)	–	(384)	–
Taxation (paid)/received		(1,926,509)	(2,248,450)	21,540	117,414
Net cash generated from/(used in) operating activities		3,699,049	7,567,611	(3,140,182)	(4,115,579)
Cash flow from investing activities					
Dividends received from subsidiaries		–	–	6,421,000	6,985,000
Purchase of property and equipment		(38,960)	(60,316)	(23,515)	(27,158)
Proceeds from sale of property and equipment		782	–	–	–
Purchase of non-current financial assets		(2,923)	(3,811)	(2,923)	(3,811)
Proceeds from sale of non-current financial assets		10,521	–	4,072	–
Purchase of current financial assets		(1,105,022)	(328,991)	(1,105,022)	(328,991)
Proceeds from sale of current financial assets		3,781,765	4,332,466	3,781,765	4,332,466
Net cash generated from investing activities		2,646,163	3,939,348	9,075,377	10,957,506
Cash flow from financing activities					
Proceeds from issue of ordinary shares		15,750	67,938	15,750	67,938
Ordinary dividends paid	20	(6,031,062)	(6,046,712)	(6,031,062)	(6,046,712)
Purchase and cancellation of own shares		–	(516,241)	–	(516,241)
Purchase of own shares by employee share option trust		–	(518,822)	–	(518,822)
Proceeds from sale of own shares by employee share option trust		26,775	168,625	26,775	168,625
Net cash used in financing activities		(5,988,537)	(6,845,212)	(5,988,537)	(6,845,212)
Net increase/(decrease) in cash and cash equivalents		356,675	4,661,747	(53,342)	(3,285)
Cash and cash equivalents at start of period		10,061,185	5,399,869	146,416	147,933
Effect of exchange rate changes		(174,954)	(431)	(3,029)	1,768
Cash and cash equivalents at end of period		10,242,906	10,061,185	90,045	146,416

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 13 MONTHS ENDED 30TH JUNE 2014

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.

The Group financial statements for the 13 months ended 30th June 2014 comprise the Company and its subsidiaries ("the Group").

The significant accounting policies applied in the preparation of the Group financial statements are summarised below. These policies have been consistently applied to all the financial periods presented, unless otherwise stated.

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

The following IFRS standards, amendments and revisions, which are relevant to the Group have been adopted in the current reporting period.

IAS 1 Presentation of items of Other Comprehensive Income (revised) – The Group has adopted this amendment which requires the items presented in Other Comprehensive Income (OCI) to be split between those items which may be realised (or recycled) through the profit or loss in the future and those that may not. The amendments do not change the nature of items that are recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods.

IFRS 13 Fair value measurement – IFRS 13 sets out a single framework for measuring fair value and the required disclosures. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure the fair value under IFRS when fair value is required or permitted, while also requiring additional disclosures. The adoption of this amendment has had no impact on the fair value measurements carried out by the Group.

As at 30th June 2014, the following Standards and Interpretations, which are relevant to the Group, were in issue and EU endorsed but not yet effective:

IFRS 10 Consolidated financial statements (revised) – Effective for financial periods beginning on or after 1st January 2014. This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It replaces the consolidation requirements in IAS 27 – Consolidated and Separate Financial Statements and builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group has considered the principle of control and the adoption of this standard is not expected to have a material impact on the Group's financial statements.

IFRS 12 Disclosure of Interests in Other Entities (revised) – Effective for annual periods beginning on or after 1st January 2014. The Standard is intended to complement IFRS 10 and requires disclosures about the judgement used by management in determining which entities it controls as well as the financial effects of, and risks associated with, an entity's investments in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is not expected to have a material impact on the Group's financial statements.

At 30th June 2014 there are no other Standards and Interpretations in issue but not in force that would be expected to have a material impact on the Group.

2 BASIS OF CONSOLIDATION

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. Details of these assumptions are outlined in note 23.

These financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings.

The Company's principal subsidiaries as at 30th June 2014 are City of London Investment Management Company Limited and City of London US Services Limited. A complete list of the Group companies can be found in the Directors' report on page 29.

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 acquired separately are capitalised at cost and amortised on a straight line basis. Amortisation charges are spread over the useful life of the asset as follows:

Long term software licences	– ten years

This represents a perpetual licence for the Group's fund accounting system. The Directors consider ten years as a reasonable estimate of useful life given the improved control and flexibility to manage and develop the software in-house.

(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.

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.

The Group's investments in 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:

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

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 25.

(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) Deferred taxation

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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

(viii) Share-based payments

The Company operates an Employee Share Option Plan. The fair value of the employee services received in exchange for share options is recognised as an expense. The fair value has been calculated using the 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 significant 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. Non-monetary assets are translated at the date of the transaction and held at historic costs with any gains or losses recognised in the income statement.

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 from 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 £
13 months to 30th June 2014						
Gross fee income	22,212,008	764,445	287,139	951,685	–	24,215,277
Non-current assets:						
Property and equipment	250,786	–	119,958	–	6,087	376,831
Intangible assets	215,323	–	–	–	–	215,323
Year to 31st May 2013						
Gross fee income	25,411,693	699,249	1,551,037	1,701,755	–	29,363,734
Non-current assets:						
Property and equipment	319,595	–	158,353	–	12,710	490,658
Intangible assets	306,858	–	–	–	–	306,858

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:	13 months to 30th June 2014 Number	Year to 31st May 2013 Number
Investment Management/Research	29	30
Performance and Attribution	6	5
Business Development/Marketing	3	4
Client Services	6	8
Administration, Accounts and Settlements	26	30
	70	77

(b) The aggregate employment costs of staff and Directors were:	13 months to 30th June 2014 £	Year to 31st May 2013 £
Wages and salaries	5,238,336	6,102,895
Profit sharing payments	2,787,088	3,749,606
Social security costs	620,590	750,197
Defined contribution pension costs	577,763	600,793
Share options charge	(15,184)	135,872
Other staff costs	341,093	326,293
	9,549,686	11,665,656

There were no outstanding or prepaid contributions at 30th June 2014.

6 DIRECTORS

Directors' emoluments comprise:	13 months to 30th June 2014 £	Year to 31st May 2013 £
Emoluments (excluding pension contributions and awards under share option schemes)	1,475,743	3,011,239
Pension contributions	70,805	90,591
Share option charge	4,888	17,936
Gains on exercise of share options	–	95,438

	13 months to 30th June 2014 Number	Year to 31st May 2013 Number
Number of Directors on whose behalf pension contributions were paid during the period	3	5
Number of Directors who exercised share options during the period	–	3

Highest paid Director's remuneration:	13 months to 30th June 2014 £	Year to 31st May 2013 £
Emoluments (excluding pension contributions and awards under share option schemes)	659,749	548,617
Pension contributions	30,089	28,673
Share option charge	–	–
Gains on exercise of share options	–	6,200

Further details relating to Directors' emoluments can be found in the Remuneration report on pages 38 to 47.

7 OPERATING PROFIT

The operating profit is arrived at after charging:	13 months to 30th June 2014 £	Year to 31st May 2013 £
Depreciation of owned assets	136,015	177,095
Amortisation of intangible assets	49,249	45,461
Auditors' remuneration:		
– Statutory audit	69,138	75,901
– Audit related assurance services	7,398	7,292
– Taxation services (to affiliate of auditor)	6,152	23,539
– Other services	3,817	995
Operating lease rentals:		
– Land and buildings	385,351	344,207
– Other	888	–

8 INTEREST RECEIVABLE AND SIMILAR GAINS

	13 months to 30th June 2014 £	Year to 31st May 2013 £
Interest on bank deposit	96,985	60,898
Gain on sale of investments	147,427	440,209
	244,412	501,107

9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge on ordinary activities:	13 months to 30th June 2014 £	Year to 31st May 2013 £
Tax at 23% (2013: 24%) based on the profit for the period	1,717,136	2,191,803
Double taxation relief	(1,057,311)	(1,103,164)
Deferred tax	(2,406)	(38,019)
Change in tax rate to 21%	(13,209)	(6,962)
Adjustments in respect of prior years	(1,681)	(20,075)
Domestic tax total	642,529	1,023,583
Foreign tax for the current period	1,378,365	1,539,724
Adjustments in respect of prior years	21,877	30,368
Foreign tax total	1,400,242	1,570,092
Total tax charge in income statement	2,042,771	2,593,675

(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 – 23% (prior year – 24%). The differences are explained below:

	13 months to 30th June 2014 £	Year to 31st May 2013 £
Profit on ordinary activities before tax	7,242,284	8,860,117
Tax at 23% (2013: 24%) thereon	(1,665,725)	(2,126,428)
Effects of:		
Unrelieved overseas tax	(321,054)	(436,560)
Expenses not deductible for tax purposes	(25,294)	(42,587)
Capital allowances less than depreciation	(26,029)	(27,299)
Prior period adjustments	(20,196)	(10,293)
Deferred tax on share based-payments and impairment	2,406	38,019
Change in tax rate to 21%	13,209	6,962
Other	(88)	4,511
Total tax charge in income statement	(2,042,771)	(2,593,675)

The reduction in the main rate of UK corporation tax to 21% with effect from 1st April 2014 is substantively enacted for accounting purposes. The effect of the rate reduction has been reflected in the figures above.

10 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of £5,199,513 (2013: £6,266,442) divided by the weighted average number of ordinary shares in issue for the period ended 30th June 2014 of 25,128,462 (2013: 25,152,921).

As set out in the Directors' report on page 30, the Employee Benefit Trust held 1,832,783 ordinary shares in the Company as at 30th June 2014. 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.

10 EARNINGS PER SHARE CONTINUED

The calculation of diluted earnings per share is based on the profit for the period of £5,199,513 (2013: £6,266,442) divided by the diluted weighted average of ordinary shares for the period ended 30th June 2014 of 25,305,973 (2013: 25,432,704).

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

	30th June 2014 Number of shares	31st May 2013 Number of shares
Weighted average number of shares – basic earnings per share	25,128,462	25,152,921
Effect of dilutive potential shares – share options	177,511	279,783
Weighted average number of shares – diluted earnings per share	25,305,973	25,432,704

11 PROPERTY AND EQUIPMENT

	30th June 2014				31st May 2013			
	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	197,213	1,581,862	596,254	2,375,329	195,840	1,693,862	591,652	2,481,354
Currency translation	(2,022)	(52,418)	(18,516)	(72,956)	–	–	–	–
Additions	2,173	35,362	1,425	38,960	1,373	54,341	4,602	60,316
Disposals	–	(10,671)	–	(10,671)	–	(166,341)	–	(166,341)
At close of period	197,364	1,554,135	579,163	2,330,662	197,213	1,581,862	596,254	2,375,329
Accumulated depreciation								
At start of period	184,462	1,446,089	254,120	1,884,671	171,429	1,493,449	209,039	1,873,917
Currency translation	(1,812)	(50,092)	(4,699)	(56,603)	–	–	–	–
Charge for the period	7,795	85,708	42,512	136,015	13,033	118,981	45,081	177,095
Disposals	–	(10,252)	–	(10,252)	–	(166,341)	–	(166,341)
At close of period	190,445	1,471,453	291,933	1,953,831	184,462	1,446,089	254,120	1,884,671
Net book value								
At close of period	6,919	82,682	287,230	376,831	12,751	135,773	342,134	490,658
Company								
Cost								
At start of period	121,417	590,727	278,719	990,863	120,044	637,062	278,719	1,035,825
Additions	–	23,515	–	23,515	1,373	25,785	–	27,158
Disposals	–	–	–	–	–	(72,120)	–	(72,120)
At close of period	121,417	614,242	278,719	1,014,378	121,417	590,727	278,719	990,863
Accumulated depreciation								
At start of period	114,154	520,898	184,748	819,800	107,282	550,623	160,254	818,159
Charge for the period	4,814	43,693	20,026	68,533	6,872	42,395	24,494	73,761
Disposals	–	–	–	–	–	(72,120)	–	(72,120)
At close of period	118,968	564,591	204,774	888,333	114,154	520,898	184,748	819,800
Net book value								
At close of period	2,449	49,651	73,945	126,045	7,263	69,829	93,971	171,063

12 INTANGIBLE ASSETS

Group	30th June 2014 Long term software licences £	31st May 2013 Long term software licences £
Cost		
At start of period	454,605	454,605
Currency translation	(74,622)	–
Additions	–	–
At close of period	379,983	454,605
Amortisation charge		
At start of period	147,747	102,286
Currency translation	(32,336)	–
Charge for the period	49,249	45,461
At close of period	164,660	147,747
Net book value		
At close of period	215,323	306,858

The Company did not hold any intangible assets during the current or preceding period.

13 OTHER FINANCIAL ASSETS (NON-CURRENT)

Group	30th June 2014 Unlisted investments £	31st May 2013 Unlisted investments £
Cost		
At start of period	37,897	31,354
Additions	2,923	3,811
Disposals	(6,602)	–
Fair value (losses)/gains recognised in other comprehensive income	(5,436)	2,732
At close of period	28,782	37,897

13 OTHER FINANCIAL ASSETS (NON-CURRENT) CONTINUED

Company	30th June 2014 Unlisted investments £	30th June 2014 Investment in subsidiary undertakings £	30th June 2014 Total £	31st May 2013 Unlisted investments £	31st May 2013 Investment in subsidiary undertakings £	31st May 2013 Total £
Cost						
At start of period	27,368	913,434	940,802	20,968	865,108	886,076
Additions	2,923	20,612	23,535	3,811	93,283	97,094
Disposals	(756)	(18,862)	(19,618)	–	(44,957)	(44,957)
Fair value (losses)/gains recognised in other comprehensive income	(4,262)	–	(4,262)	2,589	–	2,589
At close of period	25,273	915,184	940,457	27,368	913,434	940,802

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 the Directors' report on page 29.

14 DEFERRED TAX ASSET

	Share-based payments Group £	Share-based payments Company £	Fair value Group £	Fair value Company £	Total Group £	Total Company £
At 1st June 2012	908,892	162,080	20,800	20,800	929,692	182,880
Credit to income	38,019	8,480	–	–	38,019	8,480
Charge to equity	(706,931)	(162,080)	(20,800)	(20,800)	(727,731)	(182,880)
At 1st June 2013	239,980	8,480	–	–	239,980	8,480
Credit to income	2,406	–	–	–	2,406	–
Credit to equity	40,980	7,296	–	–	40,980	7,296
At 30th June 2014	283,366	15,776	–	–	283,366	15,776

15 TRADE AND OTHER RECEIVABLES

	Group 30th June 2014 £	Group 31st May 2013 £	Company 30th June 2014 £	Company 31st May 2013 £
Trade receivables	22,640	56,364	–	–
Accrued income	2,864,198	2,828,045	–	–
Amounts owed by Group undertakings	–	–	1,964,410	1,855,900
Other debtors	236,244	121,105	87,512	82,404
Prepayments	512,395	533,212	236,562	267,884
	3,635,477	3,538,726	2,288,484	2,206,188

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group and Company	30th June 2014 £	31st May 2013 £
Unlisted investments at market value	1,277,708	3,847,526
Unlisted investments at cost	815,326	3,464,770

17 TRADE AND OTHER PAYABLES

	Group		Company	
	30th June 2014 £	31st May 2013 £	30th June 2014 £	31st May 2013 £
Trade creditors	–	28,312	–	–
Sundry creditors	715	306,937	715	366
Amounts owed to Group undertakings	–	–	45	2,576,410
Other taxation and social security	292,612	73,983	291,665	73,662
Accruals and deferred income	1,001,129	2,721,691	145,845	1,241,640
	1,294,456	3,130,923	438,270	3,892,078

18 DEFERRED TAX LIABILITY

Group and Company	£
At 1st June 2012	–
Increase due to gain in fair value of available-for-sale investments	90,467
At 1st June 2013	90,467
Increase due to gain in fair value of available-for-sale investments	38,662
Released on disposal of available-for-sale investments	(30,311)
At 30th June 2014	**98,818**

19 SHARE CAPITAL

Group and Company	30th June 2014 Number of shares	31st May 2013 Number of shares
Authorised		
Ordinary shares of 1p each (2013 – 1p each)	90,000,000	90,000,000

	£	£
Ordinary shares of 1p each (2013 – 1p each)	90,000	90,000

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19 SHARE CAPITAL CONTINUED

Group and Company	30th June 2014 £	31st May 2013 £
Allotted, called up and fully paid		
At start of period 26,937,707 (2013: 26,878,450) Ordinary shares of 1p each	269,377	268,784
Dilutive share options exercised; 35,000 (2013: 59,257)	350	593
At end of period 26,972,707 (2013: 26,937,707) Ordinary shares of 1p each	269,727	269,377

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

20 DIVIDEND

	30th June 2014 £	31st May 2013 £
Dividends paid:		
Interim dividend of 8p per share (2013: 8p)	2,010,354	1,996,394
Final dividend in respect of year ended:		
31st May 2013 of 16p per share (2012: 16p)	4,020,708	4,050,318
	6,031,062	6,046,712

A final dividend of 16p per share has been proposed, payable on 31st October 2014, subject to shareholder approval, to shareholders who are on the register of members on 10th October 2014.

21 PROFIT OF THE PARENT COMPANY

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 £6,700,608 (2013: £7,457,808).

22 OPERATING LEASE COMMITMENTS

At 30th June 2014 the Group had the following commitments for future minimum lease payments under non-cancellable operating leases:

	Group		Company	
	Land and buildings 30th June 2014 £	Land and buildings 31st May 2013 £	Land and buildings 30th June 2014 £	Land and buildings 31st May 2013 £
Within one year	353,148	372,451	212,160	211,199
In the second to fifth years inclusive	686,677	1,045,280	636,481	858,182
After five years	–	17,879	–	17,879
	1,039,825	1,435,610	848,641	1,087,260

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.

23 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
18/01/2010	18/01/2020	6.50	3.4428%	3.1400	3.1400	30.9664%	4.67%	0.7924	259,000
13/10/2010	13/10/2020	6.50	2.2273%	3.6250	3.6250	33.7369%	5.92%	0.7406	191,500
05/04/2011	05/04/2021	6.50	3.0432%	4.0300	4.0300	33.7062%	5.65%	0.9307	166,000
22/06/2011	22/06/2021	6.50	1.3165%	4.1000	4.1000	33.5132%	5.85%	0.9054	50,000
04/11/2011	04/11/2021	6.50	1.7472%	3.4875	3.4875	29.2405%	6.88%	0.5303	249,000
03/05/2012	03/05/2022	6.50	1.4197%	3.6000	3.6000	26.1549%	6.67%	0.4766	50,000
30/01/2014	30/01/2024	6.50	2.2294%	2.5225	2.5500	31.5246%	9.51%	0.3453	491,700

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. Historically, the volatility of the Company's share price at each date of grant has been calculated as the average of the standard deviations of daily continuously compounded returns on the stock of a group of comparable companies. Now that there is sufficient share price data for the Company it has been possible to calculate its historic volatility and this has been used to calculate the fair value of awards granted.

(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:

	13 months to 30th June 2014		Year to 31st May 2013	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at the beginning of the period	**1,773,865**	**2.74**	2,191,042	2.47
Granted during the period	**491,700**	**2.55**	–	–
Forfeited during the period	**216,375**	**3.27**	85,250	3.62
Exercised during the period	**45,500**	**0.94**	331,927	0.71
Outstanding at the end of the period	**2,003,690**	**2.68**	1,773,865	2.74
Exercisable at the end of the period	**1,303,490**	**2.58**	1,165,115	2.25
The weighted average share price at the date of exercise for share options exercised during the period was		**2.76**		3.01

The total share-based payment for the period is a write back of £15,184 (2013: charge of £135,872).

24 RELATED PARTY TRANSACTIONS

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

(i) 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 39 and in note 6.

(ii) Summary of transactions and balances

During the period the Company received from its subsidiaries £5,918,855 (2013: £7,903,968) in respect of management service charges and dividends of £6,421,000 (2013: £6,985,000).

Amounts outstanding between the Company and its subsidiaries as at 30th June 2014 are given in notes 15 and 17.

25 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 2014 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	–	–	28,782	28,782
Trade and other receivables	3,529,728	105,749	–	3,635,477
Available-for-sale financial assets	–	–	1,277,708	1,277,708
Cash and cash equivalents	10,242,906	–	–	10,242,906
Total	13,772,634	105,749	1,306,490	15,184,873

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]	–	1,294,456	1,294,456
Total	–	1,294,456	1,294,456

31st May 2013 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	–	–	37,897	37,897
Trade and other receivables	3,538,726	–	–	3,538,726
Available-for-sale financial assets	–	–	3,847,526	3,847,526
Cash and cash equivalents	10,061,185	–	–	10,061,185
Total	13,599,911	–	3,885,423	17,485,334

25 FINANCIAL INSTRUMENTS CONTINUED

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]	306,571	2,824,352	3,130,923
Total	306,571	2,824,352	3,130,923

Company

30th June 2014 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	915,184	–	–	25,273	940,457
Trade and other receivables	–	2,288,484	–	–	2,288,484
Available-for-sale financial assets	–	–	–	1,277,708	1,277,708
Cash and cash equivalents	–	90,045	–	–	90,045
Total	915,184	2,378,529	–	1,302,981	4,596,694

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]	–	438,270	438,270
Total	–	438,270	438,270

31st May 2013 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	913,434	–	–	27,368	940,802
Trade and other receivables	–	2,206,188	–	–	2,206,188
Available-for-sale financial assets	–	–	–	3,847,526	3,847,526
Cash and cash equivalents	–	146,416	–	–	146,416
Total	913,434	2,352,604	–	3,874,894	7,140,932

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]	–	3,892,078	3,892,078
Total	–	3,892,078	3,892,078

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

25 FINANCIAL INSTRUMENTS CONTINUED

(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.

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

- 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 2014	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	724,933	581,555	–	1,306,488
Total	724,933	581,555	–	1,306,488
Financial assets at fair value through profit or loss				
Forward currency trades	–	105,749	–	105,749
Total	–	105,749	–	105,749

31st May 2013	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	666,248	3,219,175	–	3,885,423
Total	666,248	3,219,175	–	3,885,423
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	306,571	–	306,571
Total	–	306,571	–	306,571

25 FINANCIAL INSTRUMENTS CONTINUED

Company

30th June 2014	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	724,933	578,047	–	1,302,980
Total	724,933	578,047	–	1,302,980

31st May 2013	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	666,248	3,208,646	–	3,874,894
Total	666,248	3,208,646	–	3,874,894

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

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 loss reported for the period is £26,563 (2013: net gain £47,681).

(iii) Foreign currency risk

Most of the Group's revenues, and a significant part of its expenses, are denominated in currencies other than sterling, principally US and Canadian 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. Each of the Group's subsidiaries eliminates its currency exposure by transfer to the holding company. All hedging activity is therefore assessed at the Group level. Forward foreign exchange transactions are executed so as to substantially reduce the Group's exposure to currency market movements. The level of forward currency hedging is such as is judged by the Directors to be consistent with market conditions.

As at 30th June 2014, the Group had net asset balances of US$5,180,291 (2013: US$11,441,867), offset by forward sales totalling US$5,250,000 (2013: US$10,900,000), and net asset balances of SGD389,947 (2013: SGD543,000), C$287,421 (2013: C$164,198), EUR Nil (2013: EUR56,056) and AED363,558 (2013: AED153,159).

Had the US dollar strengthened or weakened against sterling as at 30th June 2014 by 10%, with all other variables held constant, there would have been approximately 0.2% increase or decrease (respectively) to the Group's net assets, 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 22.

25 FINANCIAL INSTRUMENTS CONTINUED

(iv) Market risk

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

Further details on the effects on the Group's post-tax profits due to movements in market prices have been demonstrated in the Financial review on page 22.

The Group is, from time to time, exposed to market risk directly via its investment holdings and 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 Group did not conduct any hedging activity during the period (2013: no hedging activity).

(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 current available-for-sale assets represent investments in funds that it manages and 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 2014 the Group held £10,242,906 (2013: £10,061,185) in cash balances, of which £9,650,902 (2013: £9,245,610) 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.

(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 54 and 55.

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.

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 Wednesday 22nd October 2014 at 11.30am for the following purposes:

Ordinary business

1. To receive and adopt the financial statements for the thirteen months ended 30th June 2014 together with the reports of the Directors and auditors thereon.

2. To approve the Annual report on remuneration, as set out on pages 39 to 44 of the report and accounts of the Company for the period ended 30th June 2014.

3. To approve the Directors' remuneration policy report, as set out on pages 44 to 47 of the report and accounts of the Company for the period ended 30th June 2014.

4. To declare a final dividend of 16p per ordinary share for the thirteen months ended 30th June 2014 payable on 31st October 2014.

5. Having last been re-elected at the 2011 Annual General Meeting, to re-elect Allan Bufferd as a Director of the Company in accordance with article 132(a) of the Company's articles of association.

6. Having last been re-elected at the 2011 Annual General Meeting, to re-elect Rian Dartnell as a Director of the Company in accordance with article 132(a) of the Company's articles of association.

7. To re-appoint Moore Stephens 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

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

Special business

To consider, and, if thought fit, pass resolutions 9 and 10 as ordinary resolutions and resolutions 11, 12 and 13 as special resolutions.

9. 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 £89,909 (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 2015 (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.

10. 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, up to a maximum in aggregate equal to 10% of the issued ordinary share capital of the capital from time to time.

11. THAT, subject to the passing of resolution 9 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 9, 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 £13,486 (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 2015 (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.

12. 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 2,697,270 (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

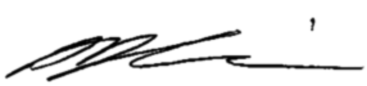
    (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2015 (whichever is earlier),

    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.

13. THAT, the articles of association of the Company be amended by replacing article 132 with the new article 132 as follows:

    "At each annual general meeting every Director shall retire by rotation."

By order of the Board



P A Keith
Company Secretary
12th September 2014

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, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF no later than 11.30 am on 20th October 2014. 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 11.30 am on 20th October 2014.

   The rights of members to attend and vote at the meeting will be determined by reference to entries on the register of members at 11.30 am on 20th October 2014. 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 10.00 am and 12.00 noon at the registered office of the Company on any weekday and will also be available for inspection at the place of the annual general meeting from the commencement of the meeting until the conclusion thereof:

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

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

   (c) Terms of reference of the Audit, Remuneration and 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 thirteen months ended 30th June 2014, together with the Directors' report and the independent auditors' report thereon.

Annual report on remuneration (Resolution 2)

The Company is also required to put a resolution to shareholders at each Annual General Meeting to approve the Annual report on remuneration, which forms part of the Directors' remuneration report. The vote of the shareholders is advisory in nature. The Annual report on remuneration can be found on pages 39 to 44 of the Report and accounts.

Directors' remuneration policy report (Resolution 3)

The Company is required to put a resolution to shareholders to approve the Directors' remuneration policy report.

Shareholders are being asked to approve the Directors' remuneration policy report, which can be found on pages 44 to 47 of the Report and Accounts. The policy is intended to apply for three years from 1st July 2015. Once approved, the Company will not be able to make a remuneration payment to a current or prospective Director or a payment for loss of office to a current or past Director unless such payment is consistent with the policy or has been approved by a resolution of the members of the Company.

Declaration of final dividend (Resolution 4)

Your Directors are recommending a final dividend of 16p per ordinary share for the thirteen months ended 30th June 2014 which will be paid on 31st October 2014 to shareholders on the register at the close of business on 10th October 2014.

The Company's shares will trade ex-dividend from 9th October 2014 until the payment date.

Re-election of Directors (Resolutions 5 – 6)

Article 132 of the Company's articles of association requires that at each annual general meeting, any Director who has been in office for more than three years shall retire by rotation and will stand for re-appointment. In addition, such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one third of the number of Directors in office as at 30th September 2014 (or if their number is not a multiple of three, the number nearest to but not greater than one third).

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 page 28 of the annual report.

Re-appointment of auditors (Resolution 7)

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. Moore Stephens LLP are the current auditors and have indicated their willingness to continue in office. If resolution 7 is passed, Moore Stephens LLP will be re-appointed as auditors to the Company for the financial year ending 30th June 2015.

Remuneration of auditors (Resolution 8)

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 9)

Resolution 9 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 £89,909 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 2015 (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 10)

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 thereby diversifying its product range, and will promote confidence in the stability of the Company's investment process from a client perspective.

Disapplication of pre-emption rights (Resolution 11)

Resolution 11 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 £13,486 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 2015 (whichever is earlier), unless renewed, varied or revoked by the Company prior to or on that date.

Your Board of Directors is aware of the institutional guidelines which state that no more than 7.5% of a company's ordinary share capital should be issued for cash on a non pre-emptive basis in any three year rolling period. Over the last three years the Directors have not allotted shares for cash on a non pre-emptive basis other than pursuant to employee share schemes.

Purchase by the Company of its own shares (Resolution 12)

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 12, 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 £26,972 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 2015 (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.

Amendment of the articles of association (Resolution 13)

The articles of association require not more than one third of the Directors to retire by rotation. However, in light of best practice, the Directors have decided that they should all offer themselves for re-election annually.

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EC2V 7QR

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Moore Stephens LLP
Chartered Accountants
150 Aldersgate Street
London
EC1A 4AB

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

Registrar
Capita Asset Services
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0GA

REGISTERED OFFICE AND NUMBER

City of London Investment Group PLC
77 Gracechurch Street
London
EC3V 0AS

Company registration number:
2685257

FINANCIAL CALENDAR

Year end	30th June 2014
Pre-close trading update	15th July 2014
Preliminary final results, first quarter funds under management (FuM) and final dividend announcement	15th September 2014
Ex-dividend date for the final dividend	9th October 2014
Final dividend record date	10th October 2014
AGM and Interim Management Statement (IMS)	22nd October 2014
Final dividend payment	31st October 2014
Second quarter FuM announcement	6th January 2015
Half year results and interim dividend announcement	11th February 2015
Ex-dividend date for the interim dividend	19th February 2015
Interim dividend record date	20th February 2015
Interim dividend payment	6th March 2015
Third quarter FuM announcement and IMS	8th April 2015
Year end	30th June 2015

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

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