CITY OF LONDON
INVESTMENT GROUP PLC

ANNUAL REPORT & ACCOUNTS 2014/2015

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

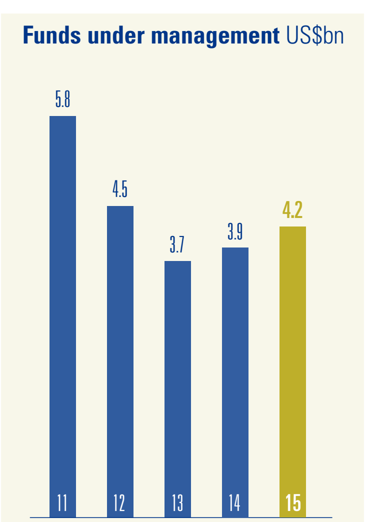
- Funds under management (FuM) at 30th June 2015 were US$4.2 billion (2014: US$3.9 billion), an increase of 8%. In sterling terms, FuM increased by 17% to £2.7 billion (2014: £2.3 billion) as a result of the cross rate moving from 1.71 to 1.57 over the period. The MSCI Emerging Markets TR Net Index fell 5% over the same period.

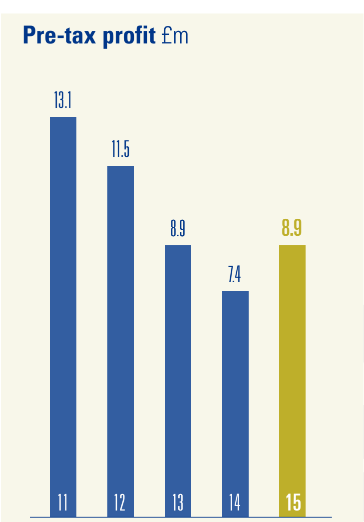
- Revenues, representing the Group's management charges on FuM, were £25.4 million (2014: £24.2 million). Profit before tax was £8.9 million (2014: £7.4 million).

- Basic earnings per share were 26.4p (2014: 21.1p) after a tax charge of 26% (2014: 28%) of pre-tax profits.

- A maintained final dividend of 16p per share is recommended, payable on 30th October 2015 to shareholders on the register on 9th October 2015, making a total for the year of 24p (2014: 24p).

- Opened new office in Seattle, May 2015.





Note: Financial years prior to 2014 have not been restated for the adoption of IFRS10.

CONTENTS

This impressive increase in FuM has been driven by good investment performance versus our peers for our emerging markets closed-end fund ("CEF") strategy, together with success in fundraising for our diversification products which now represent 8.5% of FuM, up from 2% of FuM at end June 2014.

This is my third Statement as Chairman and I have to report that making a success of investing in our core area of focus, the Emerging Markets, remains as great a challenge as it has ever been. Developed Markets have been obsessed by the much anticipated but as yet still unrealised interest rate "lift-off" in the U.S. and elsewhere, which would at least mean confirmation of robust growth in those markets. Emerging Market countries, however, must contend with the consequences of the resulting stronger U.S. Dollar's impact on swollen borrowings taken on during an extended period of negative real interest rates. Compounding these headwinds, the export prop of natural resources, critical to many EM economies, has been compressed by the prolonged downturn in commodity prices. Developed Markets have been spooked by the Greek crisis, which in my opinion has only been deferred not resolved, whereas in the emerging world the woes of China above all but also Brazil and Russia are of far greater consequence. China has been hitting the headlines with bad news, Russia's difficulties are by now well entrenched and well documented and Brazil shows no sign of improvement and continues to have problems in attracting much needed international capital. The only brighter spot amongst the larger emerging market economies for the time being is India – of the original BRIC countries, it is the only one that stands out with encouraging near term prospects.

Results

At the six month marker in February this year I stated "I anticipate good progress in the further development of your Company over the rest of the current year and beyond". With hindsight I perhaps should have said good progress **relative** to both our markets and our peer group given that the performance of Emerging Markets in particular, after a material improvement through to the end of April has subsequently been sharply negative. At the time of writing MXEF has fallen to 819 compared to 956 at the time of my Interim Statement. As I have made a habit of doing, I have left it to individual investors to form their own view on the direction of markets.

Against this challenging backdrop I am pleased to report that Funds under Management ("FuM") at the 30th June 2015 year end rose to US$4.2 billion (£2.7 billion; 2014: US$3.9 billion or £2.3 billion), representing an 8% increase in US$ terms and a 17% increase in GBP terms as a result of the cross rate moving from 1.71 to 1.57 over the period. This positive result compares, over the same period, with a fall of 5% in the MSCI Emerging Markets Index (MXEF) in US$ terms. For a more recent update please reference our website at www.citlon.co.uk.

This impressive increase in FuM has been driven by good investment performance versus our peers for our emerging markets closed-end fund ("CEF") strategy, together with success in fundraising for our diversification products which now represent 8.5% of FuM, up from 2% of FuM at end June 2014.

Our revenues follow directly from the levels of FuM and rose to £25.4m for the 12 months up from £24.2m for the non-comparable 13 month period to 30th June 2014 (a "pro-rata" 13% increase). Pre-tax profits were £8.9 million (2014: £7.4 million, 13 months: a "pro-rata" 30% increase), and profits after an anticipated tax charge of £2.3 million (26% of pre-tax profits) will be £6.6 million (2014: profits of £5.4 million after a tax charge of £2.1 million, representing 28% of pre-tax profit and therefore a "pro-rata" 34% increase). Basic and fully diluted earnings per share are 26.4p and 26.0p respectively (2014: 21.1p and 21.0p therefore "pro-rata" increases of 35% and 34% respectively).

Dividends

In line with our established dividend policy which targets a five year rolling average cover of approximately 1.2 times, the Board is recommending a final dividend of 16p per share (2014: 16p). This would bring the total for the year to 30th June 2015 to 24p (2014: 24p), giving a cover of 1.1 x earnings per share (2014: 0.86 x).

Your Board

As announced on 21st August, Carlos Yuste, our Business Development Director, has decided, for personal reasons, that the time has come after 15 years with CLIG to move on. We are appreciative that he has agreed to remain until 31st December as an executive Director of both CLIG and our fund management subsidiary, City of London Investment Management, to ensure a smooth hand over period. Carlos's responsibilities are being assumed by colleagues internally and no new external appointment is at present anticipated as a result of Carlos's departure.

Also announced on 21st August, your Board is proposing the appointment of two new Directors, Mark Dwyer and Tracy Rodrigues, at the forthcoming October AGM. In line with the plan first announced in our Interim Report in January 2014, Mark has been progressively assuming responsibility as CIO of our Emerging Markets business which currently represents the majority of our FuM. It is therefore appropriate that he is represented on the Board. Since the departure of our previous Finance Director in April 2013, responsibility for financial matters has been assumed by Tracy Rodrigues. Your Board has been impressed by the professional manner in which she has carried out these duties and propose that she should be appointed as Finance Director thereby formalising her position. I very much welcome these two appointments which will greatly strengthen the CLIG Board. Shareholders are strongly recommended to vote in favour of these two appointments.

Futhermore, following this year's annual evaluation of the Board and its members, I can confirm that each Director is operating effectively. I therefore recommend that those Directors standing for re-election this year be so elected.

West Coast office

For some time a West Coast office has been under consideration to support both our prospective client marketing and the servicing of our existing clients. Having been fortunate in identifying and recruiting an experienced West Coast marketeer we have now established an office in Seattle. A further benefit has been better communication with and management of our Singapore office where the local time zone has meant that in implementing 24 hour trading the office has been relatively isolated, particularly in the Singapore morning.

Outlook

Over the 2014/15 year the average month end FuM (the relevant dates for fee determination) was US$4.1 billion. To date in the current year the average has been US$3.8 billion. Costs have been contained but clearly the outcome for the year will be determined by the direction of markets (on which I am not expressing an opinion but note our proactive stance in ensuring that our cost base responds to adverse movements), our investment performance and client wins and redemptions. As regards the latter we are grateful to the loyalty shown by clients during a period when Emerging Markets have fallen out of favour. I have every reason to believe that our well honed investment process for our core products will continue to deliver returns superior to our peer group and thereby reward both longstanding and new clients for putting their trust in this firm.

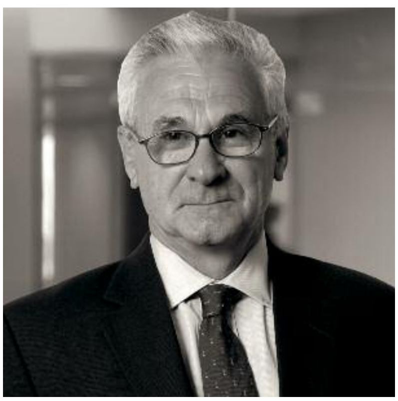
All shareholders are most welcome at our AGM in October and your Directors will be available to meet individual shareholders following the meeting's formal business.

David Cardale

David Cardale
Chairman
10th September 2015

CHIEF EXECUTIVE OFFICER'S STATEMENT

Further to last year's Accounts we have again attempted to provide CLIG shareholders with additional insights into the business of City of London Investment Management (CLIM).



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

As last year, we have followed the guidelines that were discussed and approved in Parliament and set out in The Companies Act 2006 (Strategic report and Directors' report) Regulations 2013. We believe that this legislation provides good guidance for listed companies and enables them to demonstrate to their shareholders (who own these companies) what they do, how they do it, their prospects, and most importantly, encourages them to define the risks associated with any potential investment that might be made.

Having said that, and since CLIG shares were listed in April 2006, 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 website subsequent to a relevant announcement.

This data 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 information effectively allows CLIG shareholders to calculate our P&L on a monthly basis.

In a further attempt to provide additional information, in the 2013/14 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 believed would happen. Obviously one of the good things about Forward Guidance, and via the provision of up to date information, 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, close to all of my investible wealth remains in CLIG shares and I believe it is appropriate and prudent, for both the Company and me personally, that I gradually reduce my holding prior to my retirement in 2020.

Accordingly, I propose:

- Selling 500,000 at £4.00 and 500,000 at £4.50. These intentions are the same as were communicated to shareholders, and specifically subsequent to my previous sale of 500,000 shares at £3.50 earlier this year.

As announced on 21st August, Carlos Yuste will leave CLIG and CLIM on 31st December. Carlos has been with the firm for 15 years and has played an important role in many areas of our development. He will be missed and we wish him all the best in whatever he decides to do. Carlos's responsibilities, varied as they are, will be redistributed internally.

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

B M Olliff

Barry Olliff
Chief Executive Officer
10th September 2015

Shareholders should note that they are invited to our Investor Afternoon on 19th October at the offices of Canaccord Genuity Limited, 88 Wood Street, London, EC2V 7QR starting at 3pm.

WHAT WE DO

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

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

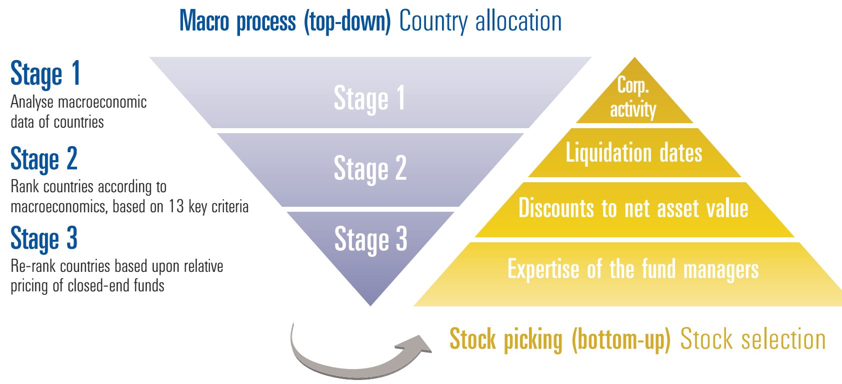
In addition, our global trading platform and knowledge of closed-end funds has been extended to meet client demand. We now manage funds applying our investment process to Frontier markets, Global Equity markets, Global Tactical Asset Allocation and US Taxable accounts via closed-end funds.

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 the global universe of closed-end funds.

HOW WE DO IT

THE INVESTMENT PROCESS

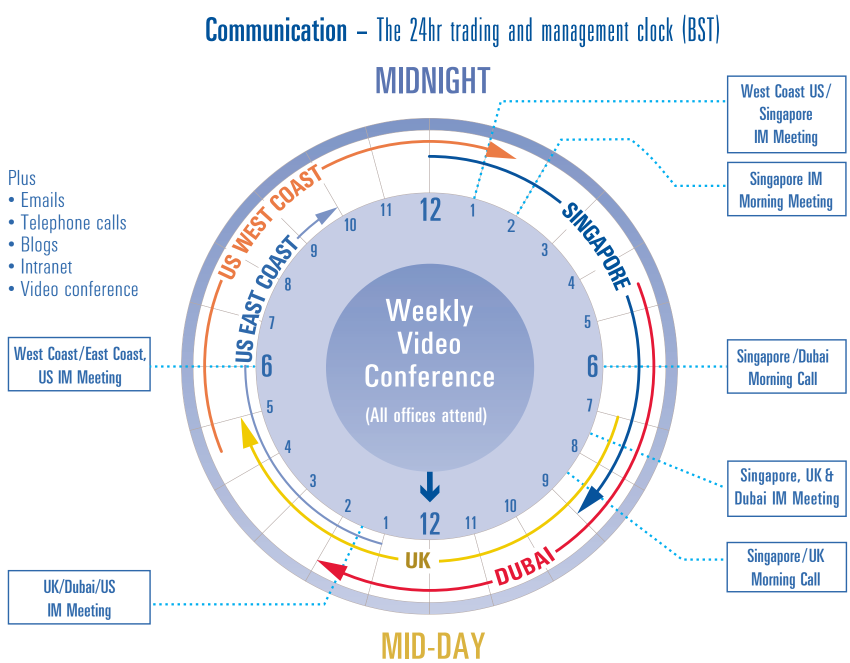
We have developed and nurtured a team investment process which does not rely on 'star' fund managers, but rather upon analytical procedures that can produce repeatable and sustainable first or second quartile performance versus our peers.



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. This process has delivered long term relative outperformance combined with low volatility relative to our clients' benchmarks through both bull and bear markets.

OUR COMPETITIVE ADVANTAGE

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



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

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

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

THE MANAGEMENT OF (AT) CLIM

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

We support teams. What this means is that we discourage the cult of the individual or "star", believing that the risks associated with a star culture are detrimental to both Shareholders and Clients. The average tenure of the 13 CLIM Fund Managers is a little over 11 years.

The present Management Team at CLIM have an average tenure of 12 years. Two of those members, Tracy Rodrigues and Mark Dwyer will be joining the CLIG Board, subject to Shareholder approval at the AGM in October. Tracy and Mark have been with CLIM for 15 and 3 years respectively. In addition Mark worked at CLIM between 1995 and 2003. The other members of the CLIM Senior Management Team are the executive Directors and Kevin Tolan, Head of Compliance. Kevin has been with CLIM for nearly 5 years.

OUR STRATEGY AND OBJECTIVES

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

THE CLIENTS
(PAY THE BILLS)

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

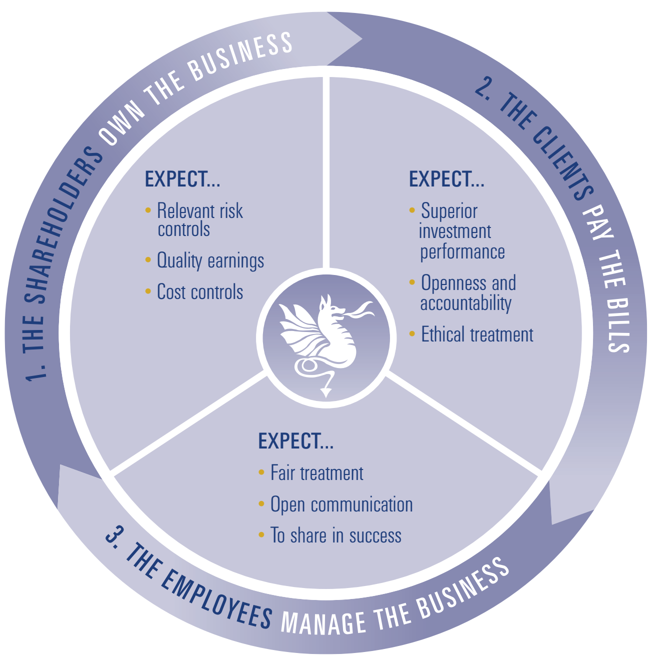
THE EMPLOYEES
(MANAGE THE BUSINESS)

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

THE SHAREHOLDERS
(OWN THE BUSINESS)

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

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



OUR STRATEGY AND OBJECTIVES

(CONTINUED)

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 seven headings:

1. OUTPERFORM

2. RETAIN STAFF

3. INCREASE FUM FROM LONG-TERM INSTITUTIONAL INVESTORS

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

5. KEEP COSTS DOWN

6. CORPORATE CITIZENSHIP

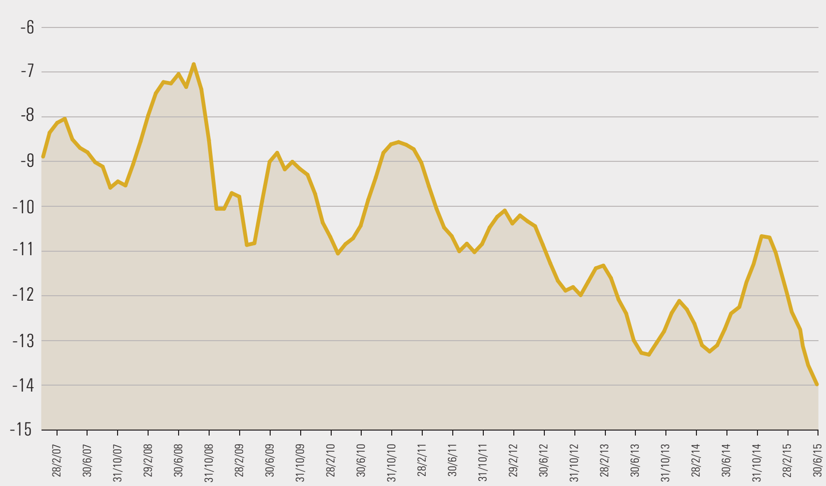
7. HOW SHOULD WE BE MEASURED ON AN ONGOING BASIS?

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.

Representative account*

3-Month rolling average portfolio discount December 2006 to June 2015



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

As we have regularly documented, over the past few years the main driver of previous underperformance was a significant increase in the Size-Weighted Average Discount ("SWAD") of the closed-end funds in our Emerging Markets portfolios which provide over 90% of Group income. Whilst the SWAD, as can be seen above, has remained very wide, we have been able to capitalise on this as a result of closed-end fund instigated buy backs, tender offers, liquidations and capital gains distributions.

Our view is that the SWAD 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 and we would expect to be able to report another year of outperformance.

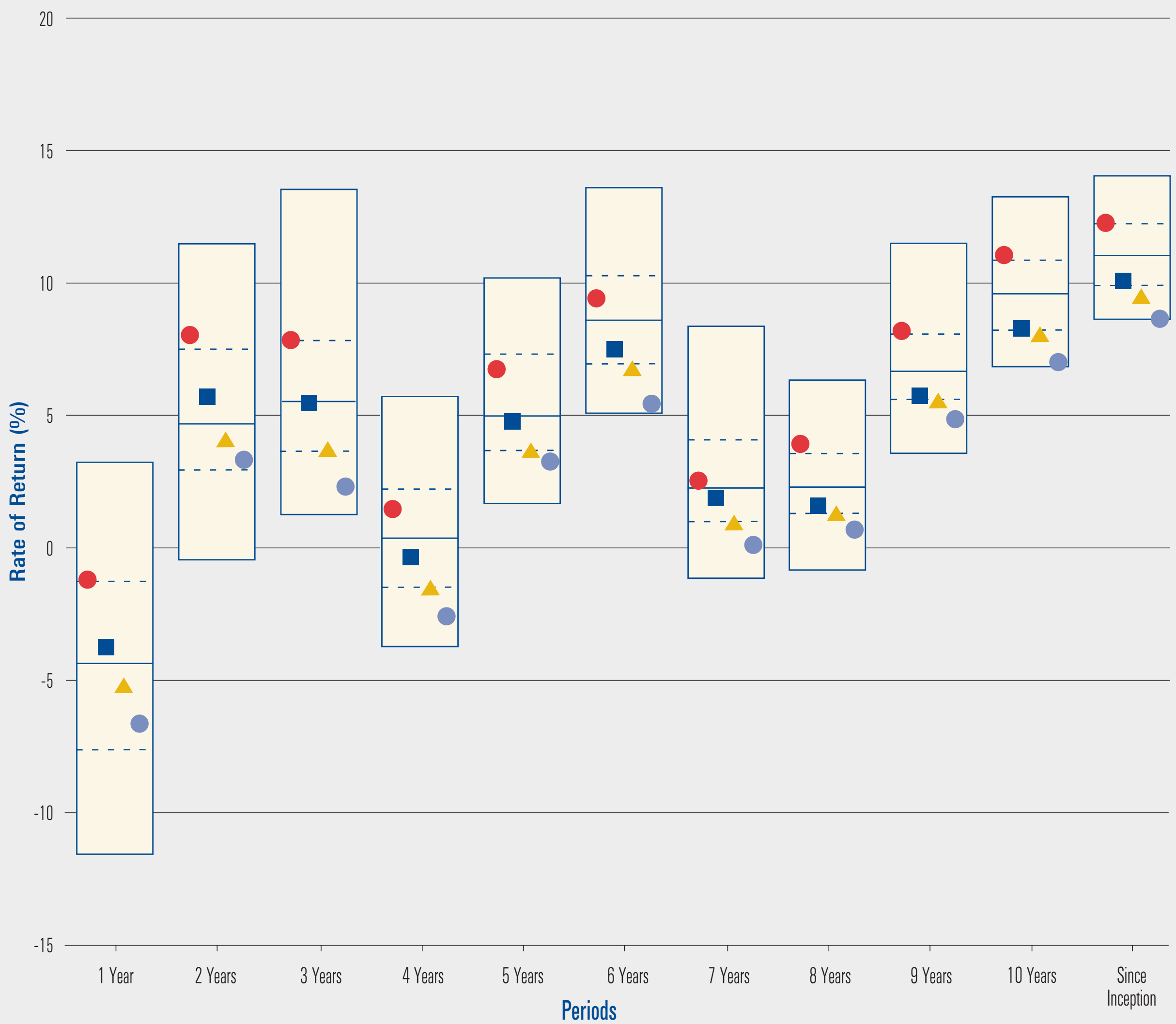
1. Outperform
(continued)

The bar chart below represents a composite of CLIM Separately Managed Accounts that are managed relative to the S&P Super BMI Index. The CLIM fund data is shown gross of fees.

The bar chart below shows the improved investment performance that has occurred as a result of recent outperformance. Please note that returns are first or second quartile for all time periods – also note the comparison with the more widely used MSCI EM Index.

Global Emerging Markets SMA Composite ending 30th June 2015

*According to Evestment Alliance**



● City of London – Global Emerging Markets SMA (Gross)

▲ MSCI EM Index (Net Total Return)

■ S&P Emerging Frontier Super Composite BMI (Net Total Return)**

● iShares MSCI Emerging Markets ETF (Net Total Return)

*78.3% of the universe has been updated through Quarter 2, 2015. Past performance is no guarantee of future results.
**The benchmark was changed from the S&P Emerging BMI Plus on 1st January, 2009 to better reflect the investment strategy of the Fund. The S&P Emerging BMI Plus was the successor index to the S&P/IFC Global Composite Index, the benchmark for the Fund prior to 1st September, 2008, which has been discontinued. The current benchmark is the S&P Emerging Frontier Super Composite Net Total Return BMI (S&P Super BMI). The MSCI EM Net TR Index and iShares MSCI Emerging Markets ETF are shown for comparative purposes.

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

OUR STRATEGY AND OBJECTIVES

(CONTINUED)

2. Retain staff

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

One of the proofs of our approach is that CLIM's 13 fund managers have an average tenure of over 11 years.

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

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

In the table below we show the relationship between staff and Directors' salaries and bonuses, referred to as remuneration, from 2006 to 2015.

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

Remuneration costs for Directors and employees from 2006 to 2015

	2006 Total £'000	2007 Total £'000	06/07 % change	2008 Total £'000	07/08 % change	2009 Total £'000	08/09 % change	2010 Total £'000	09/10 % change	2011 Total £'000	10/11 % change	2012 Total £'000	11/12 % change	2013(†) Total £'000	12/13 % change	2014 Total £'000	13/14 % change	2015 Total £'000	14/15 % change
Barry Olliff	727	859	18%	1,112	29%	740	-33%	1,125	52%	1,178	5%	981	-17%	548	-44%	660	20%	773	17%
D F Allison(*)	340	440	29%	579	32%	354	-39%	538	52%	648	20%	565	-13%	282	-50%	–	n/a	–	n/a
T W Griffith	213	269	26%	330	23%	254	-23%	384	51%	466	21%	414	-11%	326	-21%	334	2%	459	37%
C M Yuste	213	269	26%	330	23%	254	-23%	383	51%	465	21%	413	-11%	325	-21%	334	3%	458	37%
V S Tannahill(**)	–		–	–		–		–		–		–		69		–	n/a	–	n/a
Executive Directors	1,493	1,837		2,351		1,602		2,430		2,757		2,373		1,550		1,328		1,690	
All employees	2,430	3,254		4,444		4,031		5,851		7,297		7,822		6,845		6,504		7,006	
Total	3,923	5,091	30%	6,795	33%	5,633	-17%	8,281	47%	10,054	21%	10,195	1%	8,395	-18%	7,832	-7%	8,696	11%
Average head count																			
Executive Directors	4	4		4		4		4		4		4		4		3		3	
Employees	34	40		46		51		58		64		73		73		67		67	
Percentage of aggregate spend																			
Executive Directors	38%	36%		35%		28%		29%		27%		23%		18%		17%		19%	
All employees	62%	64%		65%		72%		71%		73%		77%		82%		83%		81%	
Average employee remuneration	71	81	14%	96	19%	79	-18%	101	28%	114	13%	107	-6%	93	-13%	97	4%	104	7%
Profit before tax	4,727	7,316	55%	10,695	46%	5,384	-50%	10,379	93%	13,150	27%	11,462	-13%	10,160	-11%	7,416	-27%	8,932	20%
Dividend per share	8.6p	10.0p	16%	19.5p	95%	15.0p	-23%	22.0p	47%	24.0p	9%	24.0p	0%	24.0p	0%	24.0p	0%	24.0p	0%

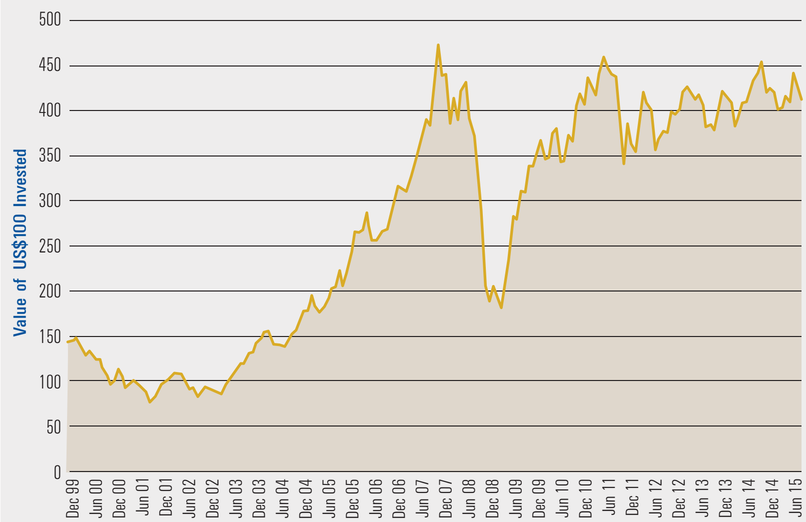
* Resigned 15th April 2013

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

† Excludes loss of office payments

2. Retain staff
(continued)

MSCI emerging markets net total return index
US$ based



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

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

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

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

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

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

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

OUR STRATEGY AND OBJECTIVES

(CONTINUED)

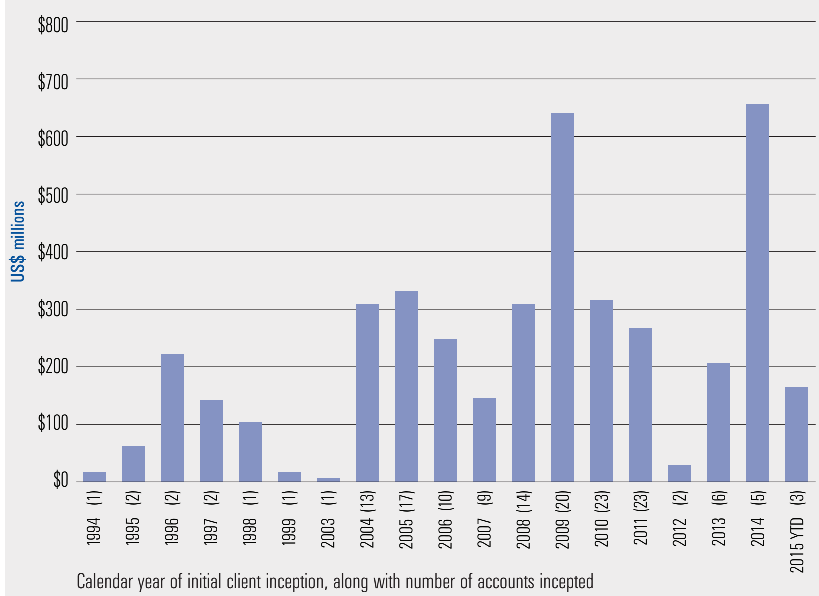
3. Increase FuM from long-term institutional investors

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

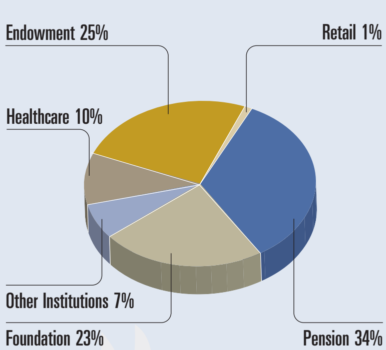
What our clients have in common is a desire to access the returns available in 'difficult' emerging markets. We have provided that access over many years and cycles and have generated long-term outperformance for our clients. This allows our clients to then focus on their asset class allocation decisions.

We have 155 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 30/6/2015



CLIENTS BY SECTOR



Ten largest clients by market value

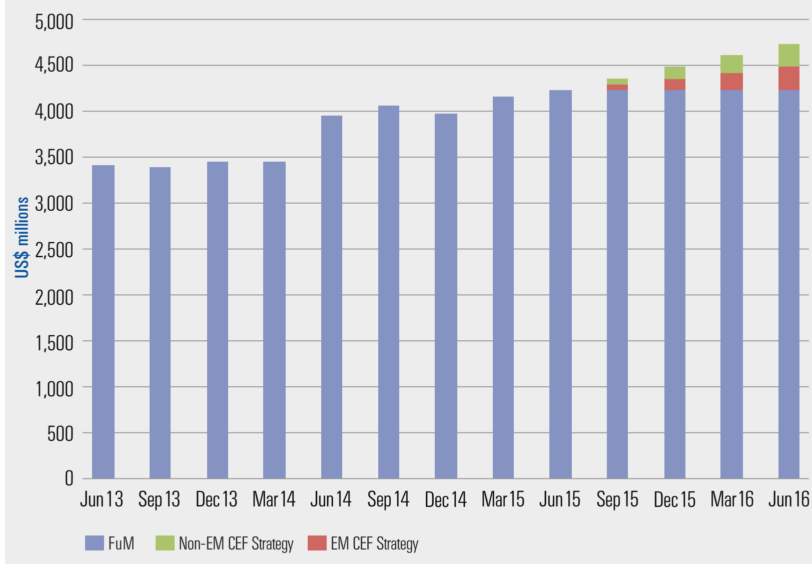
	Client	Market value 30/6/2015	Inception date
1	Foundation	US$541,768,706	May 2014
2	Public Pension	US$358,314,204	September 2009
3	Endowment	US$209,194,561	November 1996
4	Public Pension	US$196,453,403	October 2013
5	Endowment	US$183,247,960	June 2004
6	Corporate Pension	US$126,826,791	March 1997
7	Corporate Pension	US$119,978,605	June 2006
8	Public Pension	US$99,832,441	February 2015
9	Endowment	US$88,153,144	July 2007
10	Healthcare	US$87,871,488	February 2009
	Total	**US$2,011,641,303**	

The ten largest clients are all North American.

3. Increase FuM from long-term institutional investors
(continued)

Subsequent to reopening our emerging markets business to new investors 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



As a result of increased market volatility in recent months we have reduced our assumptions for new mandates for the forthcoming financial year and assumed zero market growth. We have assumed net new money of US$250 million in our Emerging Market strategies plus US$250 million in our non-emerging CEF strategies, which are now attracting interest and are described in more detail in the products section on page 18.

Both assumptions have been straight lined in the graph above.

In a bid to increase our marketing effort in the United States, we have complemented our existing East Coast marketing presence with an appointment on the West Coast.

The principal risk that the Group faces is the potential for loss of funds under management as a result of poor investment performance, client redemptions 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 18 to 19 and which should further mitigate these risks. In addition to the above key business risk and the key risks on pages 20 and 21, there are a number of less significant financial risks as outlined in note 24 on pages 74 to 78.

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.

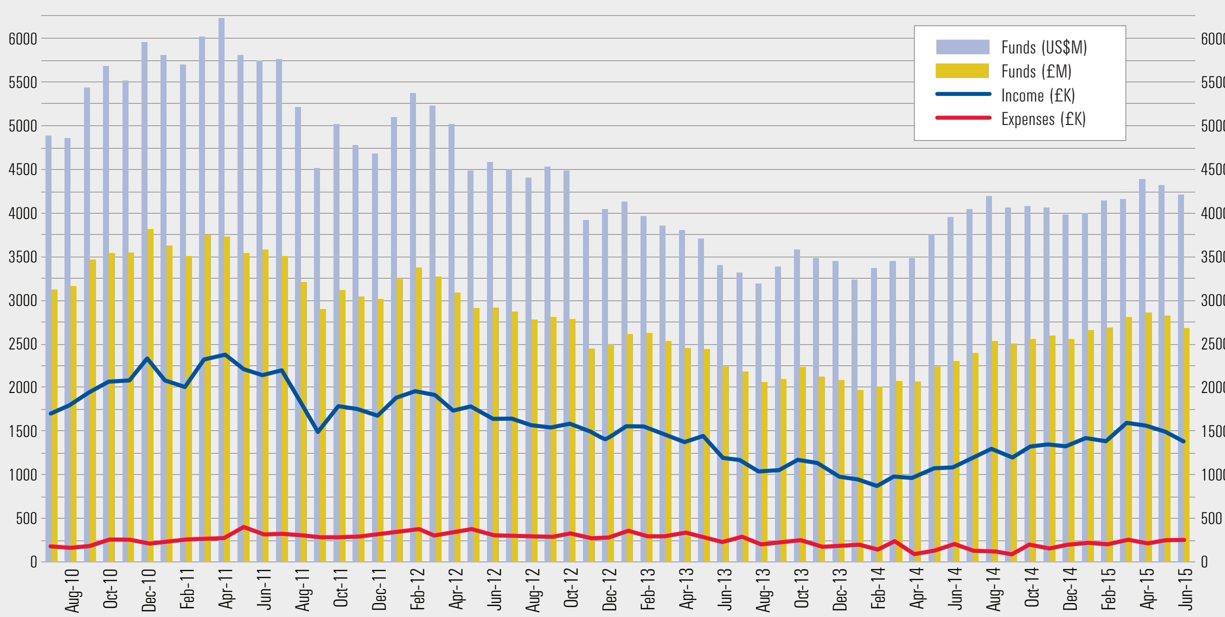
Where possible, we take the opportunity to meet shareholders. This might be at one-to-one meetings with our larger institutional holders or at group meetings with advisers and individual shareholders. We believe that our shareholders have a right to know what to expect from us. For this reason, we try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

Shareholders should note that they are invited to our Investor Afternoon on 19th October at the offices of Canaccord Genuity Limited, 88 Wood Street, London, EC2V 7QR starting at 3.00pm.

If shareholders are planning to attend it would be helpful, but not necessary, if they could email us at investorrelations@citlon.co.uk to let us know.

Rolling five year Funds under Management and Profitability

Excludes exceptional items of income and expenditure



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

- Starting point Current FuM (June 2015).
- Net new money in 2015/2016: emerging market CEF strategy US$250m, straight-lined to June 2016.
- Net new money in 2015/2016: non-emerging market CEF strategies US$250m, straight-lined to June 2016.
- Operating margin adjusted monthly for change in product mix and commission run-off.
- Market growth: 0%.
- Corporation tax based on an estimated average rate of 25% for 2015/2016
- Increase in overhead: 8%.
- Exchange rate assumed to be £1/US$1.55 for entire period.
- Number of CLIG Shares in issue (27.0m) less those held by the ESOP Trust (2.0m) as at 30th June 2015.

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

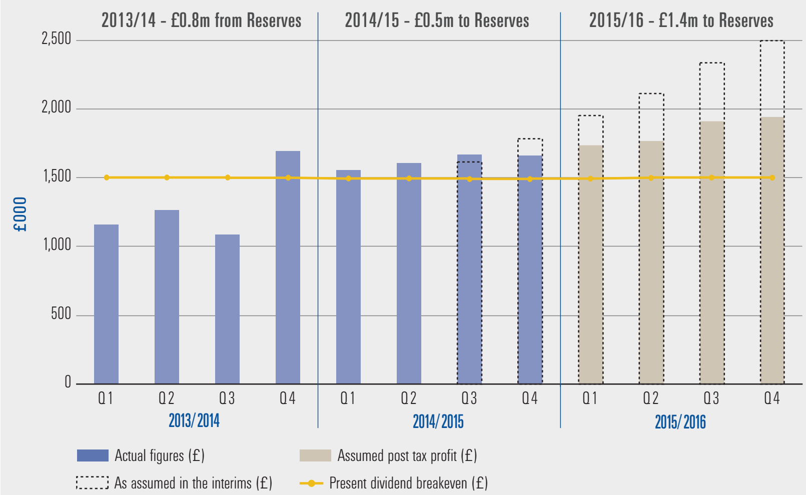
(continued)

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

It should be noted that FuM have fallen from US$4.2 billion at the point of putting together this Template, to US$3.5 billion at the time of writing. Whilst as a firm we are used to this level of volatility this has been all market related and caused by falls in the markets where clients are exposed rather than client redemptions. As shareholders would expect, costs will be reduced commensurate with ensuring that IT spend and productivity improvements can be sustained.

Dividend cover

Actual and assumed over three financial years



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

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

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

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

In addition, efforts are made to limit inter-office air travel. Internal meetings are almost exclusively conducted by video conferencing, which we have in all our offices. We are also able to keep costs under control by locating offices strategically, for example our cost of employment is more than 30% lower in Coatesville (our US East Coast office) than in London.

6. Corporate citizenship

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

In terms of responsibility for the community, as an example, an extreme would be the BP spill in the Gulf of Mexico. Other less extreme examples would be the brown field sites which have been left behind by corporations in many parts of the US. Good examples can be viewed locally when travelling on AMTRAK between Wilmington (the closest major train station to our US East Coast office) and New York. Most of the corporations that owned these brown field sites are now out of business. This realisation or awareness is effectively now being captured within the CLIM ESG Project referenced on page 29 of these accounts.

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

What are the targeted involvements within the community? CLIM connects with the local communities on a regular basis to learn about and identify with the present surrounding needs. This is accomplished by supporting a few organisations consistently over several years as well as joining efforts with the local police department to identify the greatest area(s) of need. Furthermore, engaging in diverse activities that assist in a wide range of topics such as sustaining the environment, supporting the underprivileged and furthering research on health-related matters encourages employees to collaborate to identify these involvements. In turn, this can also provide an opportunity for meaningful results as some events will be chosen on a personal level and will have a greater impact for those involved. The variety of efforts and services work hand in hand to protect cultures and customs not only within the community outreach programs but also within the workplace. Further details on community contributions are referenced within the Corporate and Social Responsibility Policy on page 28 of these accounts.

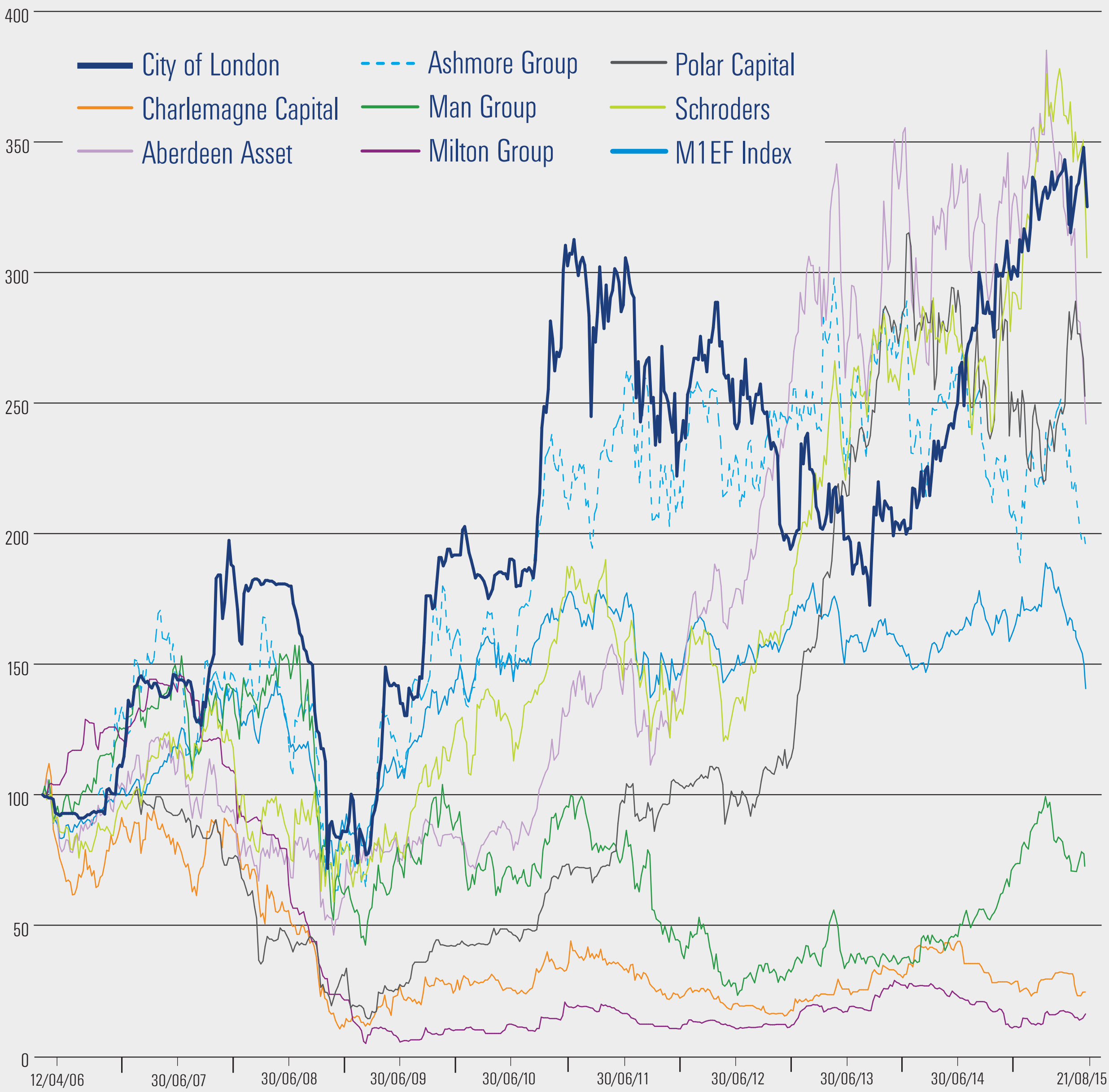
7. How should we be measured on an ongoing basis?

We have spent a lot of time attempting to work out how we as management should be measured.

We can talk about investment performance, sticky clients, stability of staff, business plans, budgets and cost savings, but these influences are not necessarily the bottom line in terms of the measurement of Shareholder value. Isn't the true measurement of a Management Team the total return of the shares of the company that they manage?

Below is a graph of our London listed peers with significant Emerging Markets exposure, rebased to CLIG listing date, 12th April 2006.

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



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

BUSINESS DEVELOPMENT REVIEW

Relative investment performance in the emerging markets closed-end fund (CEF) strategy remains strong, with first or second quartile results versus manager peers over the period.

Marketing efforts led to new inflows of US$477 million in emerging market strategies, which were countered by outflows of US$437 million as investor risk aversion rose due to ongoing volatility in global markets. Fundraising in the diversification products resulted in US$255m of new mandates (US$100m in Frontier Emerging Markets strategies, and US$155m in Global Tactical Asset Allocation strategies) and outflows of US$20 million.

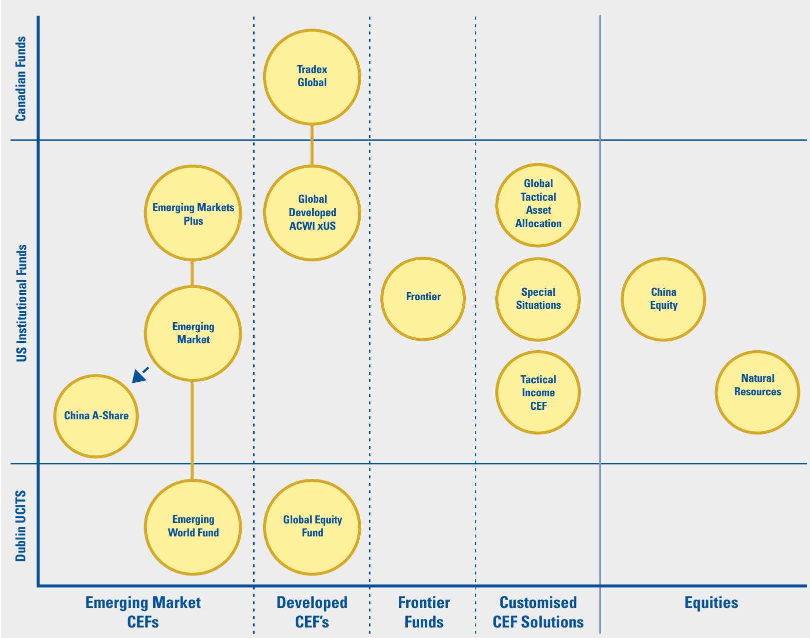
Diversification products now represent 8.5% of Group Assets Under Management (AUM), compared with 2% last year. These additional assets will assist in efforts to raise the profile of our extension CEF products with institutional consultants and plan sponsors.

Products

Our diversification products attracted additional AUM over the year as several mandates were funded in the Global Tactical Asset Allocation CEF Strategy. 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 diversification

Products map



A new mandate was also funded in The Frontier Emerging Markets CEF Strategy, which is an extension of the Emerging Markets core equity product focusing on the smallest emerging markets with high growth potential.

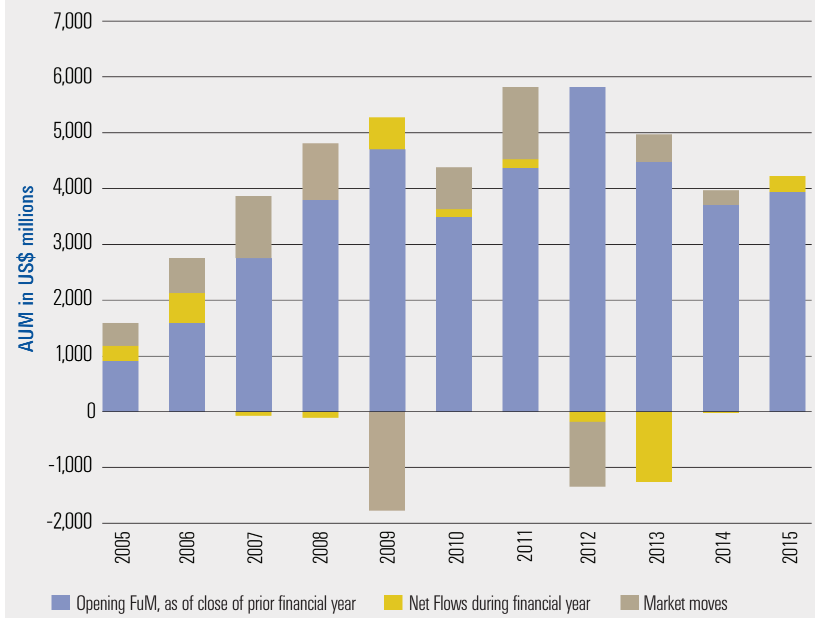
Performance

Global composite investment returns for the emerging market closed-end fund strategy for the rolling one year ending 30th June, 2015 were -2.43% vs. -5.13% for the MSCI Emerging Markets Index in USD and 6.08% vs. 3.15% for the benchmark in GBP.

Global composite investment returns for the developed market closed-end fund strategy for the rolling one year ending 30th June, 2015 were 4.51% vs. -5.26% for the MSCI ACWI ex US in USD and 13.63% vs. 3.01% for the benchmark in GBP.

Composite investment returns for the Frontier Emerging Market closed-end fund strategy for the rolling one year ending 30th June, 2015 were -0.8% vs. -9.25% for the S&P Frontier EM 150 benchmark in USD and 7.85% vs. -1.34% 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 order to better cover the US institutional marketplace, we have opened an office in Seattle and added a new marketing resource to focus on the West Coast of the US. We will also continue to introduce our capabilities to family offices, outsourced CIO firms and alternative consultants. Our Developed, Global Tactical Asset Allocation, and Frontier Emerging Market 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 85 basis points).
- **Expenditure** – These are the costs related to running the Group.
- **Dividend cover** – This is the ratio of net profit attributable to shareholders, 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** – These depend on how much success we have had in attracting new assets; how much client interest there is in the emerging markets sector as a whole; and whether consultants are advising their clients to invest with us.
- **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** – This depends on the quality of our country allocation decisions, the size-weighted average discount variation within portfolios; and whether investment decisions have been 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 22 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

This year the Group adopted IFRS 10, which revises the principles for the presentation and preparation of consolidated financial statements. It redefines the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This concept of control applies to all entities and includes the Group's seed investments in funds that it manages, previously reported as "available-for-sale financial assets". As a result, the change in fair value of these investments is now recognised in the income statement, where previously it was recognised as part of other comprehensive income. Any other third party investor holdings in these funds are disclosed under non-controlling interests. Further details can be found in the notes to the financial statements but the net impact on the equity attributable to shareholders of the Group is nil.

Consolidated income statement and statement of comprehensive income

As shareholders may recall the Group changed its financial year end from 31st May to 30th June in 2014 therefore the results for the last financial period consist of thirteen months, which should be taken into account when considering the Group's year on year performance. On the face of the financial statements the profit attributable to shareholders indicates a 24% increase but compared to the annualised results for 2013/2014 this equates to a 34% increase year on year. The various components of this increase are detailed below.

Gross fee income of £25.4 million (2014: £24.2 million, 13 months) represents management fees charged as a percentage of funds under management ("FuM"). The chart on page 14 shows that FuM were relatively stable during the year, with only a 10% differential in the highest and lowest value (2014: 22%). This level of consistency in a very volatile market is a result of strong performance in our emerging market closed-end funds, with first or second quartile results versus our peers plus successful fundraising. During the year we raised circa US$250 million in our diversification products and US$500 million in our emerging market strategies. This was countered by outflows of close to US$450 million as investor risk aversion rose due to ongoing volatility in global markets.

Commissions payable of £2.3 million (2014: £3.1 million, 13 months) relates to fees due to third party marketing agents for the introduction of clients. The contract to which all but a small proportion of these commissions relate, expired in October 2010. Under the agreement, commission is based on a period of ten years from the date of initial investment. The Group is now half way through the last of the ten year trail and while this has resulted in savings, the fall in the commission rate (as a percentage of gross fee income 2015: 9% vs 2014: 13%) can also be attributed to the level of new client money invested, which is free of commission. As a guide, the table presented illustrates the rate of the commission run-off relating to the expired contract, based upon current FuM and market levels.

Marketing commission run-off (based on FuM at 30th June 2015)

Financial year	£m (@ $1.57/£1)
2015-16	1.6
2016-17	1.4
2017-18	1.2
2018-19	0.8
2019-20	0.1

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

Custody fees payable of £0.7 million (2014: £0.8 million, 13 months) are the fees paid to custodian banks for the safekeeping and administration of the assets of the commingled Delaware Statutory Trust funds (segregated account clients pay their own custody fees). The reduction in these fees can be attributed in part to the change in the mix of accounts held as well as a general reduction in the charges levied.

The net of the above rounds to £22.4 million (2014: £20.3 million, 13 months) and represents the Group's net fee income. The weighted average net fee rate is currently 85 basis points and compares to 86 basis points this time last year.

Administration expenses of £13.6 million (2014: £13.3 million, 13 months) can be split into two main categories:

- fixed – overheads of the Group, the largest components being salaries, pension and employment taxes
- variable – profit share calculated as a percentage of pre-tax, pre-bonus profit

The Group maintained its control of the fixed costs following the successful achievement of previous cost reduction targets resulting in overheads for the year of £9.4 million. This compares to the annualised overheads for 2014 of £9.5 million (2014: £10.3 million, 13 months) and £10.8 million in 2013 (excluding exceptional costs of £0.7million).

Profit share for year was charged at 30% having been temporarily reduced to 28% last year and amounts to £4.2 million including payroll related taxes (2014: £3.0 million). The extent of the rise in variable compensation this year reflects the increase in performance of the overall business, with only a very modest amount attributable to the adjustment of the profit share rate.

Interest receivable and similar gains of £0.2 million includes bank interest on deposits of £0.1 million and £0.1 million from the increase in fair value of the funds in which the Group has a controlling interest.

The net result is a pre-tax profit of £8.9 million (2014: £7.4 million, 13 months). Corporation tax this year amounts to £2.3 million, an effective rate of 26% compared to 28% last period (2014: £2.0 million, 13 months) as a result of the reduction in the UK corporation tax rate as well as a shift in the geographical mix of the business.

Consolidated statement of financial position and statement of changes in equity

The Group's financial position remains strong with no borrowings and net assets of £13.7 million (2014: £13.9 million), excluding the non-controlling interest, the major part of that being cash of £10.2 million (2014: £10.2 million).

During the year, non-current assets increased by £0.4 million, £0.1 million relating to deferred tax in connection with the share price appreciation on share-based awards. The Company's share price increased from £2.9375 at the start of the year to close at £3.3050. The remaining £0.3 million relates to the increase in fair value of the diversification funds in which the Group has seed investments.

Current assets grew by £1.0 million, of which £0.9 million relates to trade and other receivables. The main constituent of this is fee income receivable, and the year on year increase is primarily due to new client mandates. The remaining £0.1 million relates to the increase in value of seed investments in our diversification products.

Current liabilities increased by £1.3 million, principally due to a change in the timing of the payments of profit share and related payroll taxes. The final payment of the Group's annual bonus has historically been in June, with the related taxes due in July. Last year when the year end changed from 31st May to 30th June, the profit share was still paid in June, mainly due to staff expectation. This was a transitional period and subsequently, it was agreed that going forward the final payment would revert to being made one month after the year end.

As one would expect, the major changes in shareholders equity are this year's profit of £6.6 million (2014: £5.2 million) and the dividends paid during the year of £6.0 million (2014: £6.0 million). The dividend comprised the 16p final dividend for 2013/14 plus the 8p interim dividend for the current year. The Group's dividend policy is set out on page 15.

Other movements during the year were the purchase of shares via the Group's ESOP Trust to the value of £1.0 million (2014: nil), this outlay being offset by the proceeds from share option exercises of £0.3 million, including corporation tax allowances (2014: £0.1 million). In addition, 101,500 shares were purchased for cancellation (2014: nil) and the £0.3 million cost set against retained earnings. The value of the share option reserve increased by £0.1 million in relation to the deferred tax referred to previously.

FINANCIAL REVIEW

(CONTINUED)

The Group ensures its regulated entities comply 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

Net cash generated from operating activities was £7.0 million (2014: £3.7 million), illustrating that there are relatively few significant timing differences that would cause cash flow to deviate materially from profits. As noted earlier, the Group spent £6.0 million (2014: £6.0 million) on dividend payments and a net £1.0 million (2014: nil) on share transactions. In addition, the Group invested £0.1 million (2014: nil) in property and equipment which brought the net cash spent to £0.1 million (2014: £0.4 million net cash raised). The effect of exchange rate differences on foreign currency bank deposits for the year was a profit of £0.1 million (2014: a loss of £0.2 million).

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 below and in note 24 to the accounts.

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. As at 30th June 2014 the US dollar/sterling exchange rate was 1.71 and closed at 1.57 on 30th June 2015 (2014: US$1.52 – US$1.71 to £1). The table presented here 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$4.0 billion reduces post-tax profits by £0.8 million.

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

FuM US$bn:	3.5	4.0	4.5	5.0	5.5
US$/£	Post-tax, £m				
1.50	5.4	6.9	8.4	9.9	11.3
1.55	5.2	6.6	8.0	9.5	10.9
1.60	5.0	6.3	7.7	9.1	10.5
1.65	4.7	6.1	7.4	8.7	10.1
1.70	4.5	5.8	7.1	8.4	9.7

Assumes:

1. Average net fee 85 bp's
2. Annual operating costs £4.0m plus $7m plus S$1.3m (£1 = S$2)
3. Profit-share 30%
4. Average tax rate 26%

It is worth noting though that while 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 2015 these forward sales totalled US$5.3 million, with a weighted average exchange rate of 1.57 to £1 (2014: US$5.3 million at a weighted average rate of 1.65 to £1).

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

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

Group policies are focused on five key areas:

1. WORKPLACE
2. ENVIRONMENTAL IMPACT
3. ETHICS
4. COMMUNITY
5. RESPONSIBLE INVESTMENT

1. Workplace

2015	Female	Male
Directors	0	7
Senior managers	1	3
Middle management	10	15
All other employees	14	27

Employee welfare

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

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

Gender diversity

At 30th June 2015 there were three executive and four non-executive Directors of the Group, all of whom are male. Of our 73 employees, 34% are female (2014: 30%), including 25% of senior management (2014: 25%), and 40% of middle management (2014: 42%).

Human rights

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

Learning and Development

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

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

(CONTINUED)

We recognise the value of cross-training across our offices and regularly transfer employees to other offices to obtain experience. This year, an employee from Singapore and two employees from Philadelphia all carried out cross-training in our London office, while two employees from London went to learn from colleagues in our Philadelphia office.

Internal training is available to all employees on the products we offer. We have also completed our review of our employee induction process. In addition to their first day induction and 'on the job' training, we 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. Environmental impact

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

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

Barry Olliff is the executive director responsible for the Group's environmental policy.

Mandatory Carbon Reporting

Listed companies are required to report their annual greenhouse gas emissions. This is our second year reporting under these regulations, and our comparative prior period, which is the twelve months ending 30th June 2014, is also our base year. We have used the financial control approach and utilised the UK Government's Environmental Reporting Guidance and the Department for Environment, Food and Rural Affairs (DEFRA) conversion factors to calculate carbon dioxide emissions for all office locations. The intensity measurement used below is tonnes of carbon dioxide equivalent (CO_2e) per the average number of full-time equivalent (FTE) employees during the year.

Total CO_2e emissions

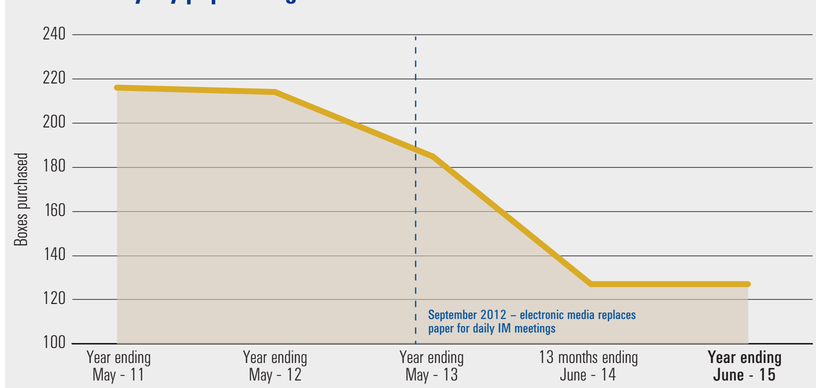
	Twelve months to June 2015		Twelve months to June 2014	
	Tonnes of CO_2e	Intensity ratio	Tonnes of CO_2e	Intensity ratio
Scope 1	–	–	–	–
Scope 2	162.1	2.32	173.2	2.55
Purchased electricity	*162.1*		*173.2*	
Scope 3	344.1	4.92	411.6	6.05
Business air travel	*331.0*		*397.7*	
Electricity transmission and distribution losses	*13.1*		*13.9*	
Total	506.2	7.24	584.8	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 four years. We continue to look for opportunities to further reduce our usage.

Annual everyday paper usage



Overview
Strategic report
Corporate governance
Financial statements
Shareholder information

CORPORATE AND SOCIAL RESPONSIBILITY POLICY
(CONTINUED)

3. Ethics

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

4. Community

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

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

2014/2015 Highlights include:

- Chester County Food Bank volunteer activities to support underprivileged students in surrounding schools (US).
- World Vision sponsoring underprivileged children around the world (Singapore).
- Blood Drive through American Red Cross (US).
- Habitat for Humanity home building event (US).
- Various runs and walks to support causes such as Juvenile Diabetes Research Foundation (US), Pancreatic Cancer and British Heart Foundation (UK).
- Salvation Army gift giving and donations (US).
- Fundraising for Genetic Disorders & Breast Cancer charities (UK).
- Ramadan Community Campaigns to support refugees (Dubai).
- Singapore Prevention of Cruelty to Animals and Animal Lovers League (Singapore).
- Collaborating with the Coatesville Police Department to provide goods to local organisations that support homeless and under-served within the surrounding community (US).

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

5. Responsible investment

In 2015 CLIG launched a significant initiative to promote environmental, social and governance (ESG) awareness in emerging market investment trusts and closed-end funds. We firmly believe that businesses which adopt best practice in their ESG policies will ultimately earn superior returns. Our investment teams are using the ESG research of Sustainalytics, the leading independent responsible investment consultancy, as the basis of their work with investment managers.

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

As part of this initiative CLIG has become a signatory to the UN-supported Principles for Responsible Investment. As part of this commitment to responsible investment, CLIG is required to seek appropriate disclosure on ESG issues by the closed-end funds in which we invest. Many managers are signatories themselves and therefore have a clear understanding of this commitment, as we challenge them to raise their ESG transparency, both directly and via their closed-end fund boards.

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

For and on behalf of the Board

Barry Olliff
Chief Executive Officer
10th September 2015

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

BOARD OF DIRECTORS

D M Cardale NON EXECUTIVE CHAIRMAN

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 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.

BOARD APPOINTEES

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

Tracy Rodrigues FINANCIAL CONTROLLER

Tracy has been with City of London Investment Group PLC for over 15 years and is based in London where she heads the Group's Finance department. Having managed the department since 2006 she was promoted to Financial Controller in 2013 and is responsible to the Board and CEO for the Finance systems and activities of the Group. Tracy has more than 25 years' experience within the financial services industry having previously worked at CS First Boston (now Credit Suisse) as both a financial and product accountant.

DIRECTORS' REPORT

Principal activity
City of London Investment Group PLC is the holding company for a number of subsidiaries. The principal operating subsidiary is City of London Investment Management Company Limited, which acts as an investment adviser and which advises on 36 accounts (2014: 31 accounts) with a total of £2,681 million (2014: £2,305 million) under management as at 30th June 2015. Accounts may be commingled or segregated. City of London Investment Management Company Ltd has a subsidiary in Singapore and a branch in Dubai.

Going concern
The Directors' report should be read in conjunction with the Chairman's statement and the Strategic report on pages 2 to 29, 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.

During the year to 30th June 2015 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 year to 30th June 2015, together with details of amounts transferred to reserves, are set out on pages 54, 56 and 57.

The Company has paid dividends of £5,959,827 during the period (2014: £6,031,062). The final dividend for the year to 30th June 2015 of 16p per share (2014: 16p) has been proposed, payable on 30th October 2015, subject to shareholder approval, to shareholders who are on the register of members on 9th October 2015.

Annual General Meeting (AGM)
The Company's AGM will be held at 11.30am on Monday, 19th October 2015 at 77 Gracechurch Street, London EC3V 0AS.

Directors
The names and biographical details of the current Directors of the Company are given on pages 30 and 31.

The Directors' interests are set out in the Directors' Remuneration report.

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

Own shares
The Company is, until the date of the next AGM, generally and unconditionally authorised to buy back up to 2,697,270 of its own ordinary shares of nominal value £0.01. In the year under review the Company purchased and cancelled 101,500 shares (2014: nil). The shares were purchased at £3.20 and represented approximately 0.4% of the issued share capital at the time of the transaction. The Company is seeking a renewal of this authority at the 2015 AGM.

The number of own shares purchased by the Company's employee benefit trust during the year was 300,000 (2014: nil) at a cost of £1.0 million. The number of own shares held by the trust as at 30th June 2015 was 2,032,118 (2014: 1,832,783), of which, 1,959,235 shares (2014: 1,763,190) 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 2015, 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	2,630,000	9.8
BlackRock Investment Management	2,124,007	7.9
The City of London Employee Share Option Trust	2,032,118	7.6
Hargreave Hale	1,725,190	6.4
Slater Investments	917,270	3.4
Polar Capital	885,000	3.3

Corporate governance
The UK Corporate Governance Code is publically 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 34 to 36.

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 25 to 29.

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
Chief Executive Officer
10th September 2015

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 pages 30 and 31.

The Company's Articles of Association currently dictate that all Directors shall stand for annual re-election, as recommended by the Pensions & Investment Research Consultants (PIRC).

Corporate governance

General corporate governance compliance

The Company considers itself a smaller company for the purposes of compliance with the UK Corporate Governance 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. Director bonuses are subject to satisfactory annual appraisal and clawback in the event of misstatement or misleading representation of performance; a significant risk failure or serious misconduct of an individual. The bonuses are also subject to individual limits as noted in the Directors Remuneration Report and are paid in cash. 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.

Share options

The IMA 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 2015 the dilutive awards outstanding represented less than 1% of issued share capital (2014: 1%).

In addition, the IMA Guidelines recommend that no more than 5% of a Company's issued share capital be held in an employee benefit trust (EBT) without prior approval by shareholders. The EBT currently has shareholder permission to hold up to 10% and will be seeking to renew that permission at the next AGM. As of 30th June 2015 the EBT holding comprises 7.6% of issued share capital (2014: 6.8%). The components of which are:

	Number of shares	Percentage of issued shares
Vested	1,120,450	4.2%
Unvested	838,785	3.1%
Available for awards	72,883	0.3%
	2,032,118	7.6%

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

Awards pursuant to the share option scheme are broadly spread across all staff. 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

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).

The UK Corporate Governance Code recommends that for FTSE 350 companies the Board should include a balance of executive and non-executive Directors (and in particular independent non-executive Directors) such that no individual or small group of individuals can dominate the Board's decision making. Smaller entities i.e. those not in the FTSE 350, are required to have at least two independent non-executive Directors on the Board. The Company is included in the FTSE SmallCap Index and will therefore still comply with the Code following the proposed appointment of the two new executive Directors at this year's AGM and Carlos Yuste's resignation effective 31st December 2015.

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. Directors report directly to the Senior Independent Director with regard to appraisal of the Chairman.

Board diversity

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

Board training and induction

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

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

Board Committees

The Board has established Nomination, 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 July 2014 and 30th June 2015	6	2	4	3
Attendance:				
David Cardale – Chairman	6	–	–	–
Barry Aling – non-executive	6	2	4	3
Allan Bufferd – non-executive	6	2	4	3
Rian Dartnell – non-executive*	5	2	4	3
Tom Griffith – executive	6	–	–	–
Barry Olliff – executive*	5	–	–	–
Carlos Yuste – executive	6	–	–	–

Although not a committee member, the Chairman accepted the invitation to attend all the committee meetings during the year.

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

Internal control
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, the Head of Compliance and the Financial Controller. The Committee meets monthly to provide the members 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 26,912,271 (2014: 26,972,707) £0.01 ordinary shares carrying one vote per share and a right to dividends.

David Cardale
Chairman
10th September 2015

NOMINATION COMMITTEE REPORT

It is my pleasure to discuss the Nominations Committee and its activities over the past year.

The period was characterised by stability and ongoing monitoring by your Nominations Committee. At the same time, plans were progressing to propose two strong additions in Tracy Rodrigues and Mark Dwyer as Executive Directors of the Board. David Cardale addresses the nominations in his Chairman's report. I would like to add that I am delighted with the proposals. Tracy is a diligent and conscientious professional with a highly organized approach, a careful disposition and strong attention to detail. Mark is a sceptic, a contrarian and a seasoned and competitive investor.

David also mentions that Carlos Yuste has resigned. Carlos is an excellent professional and a fine person. He will be missed. It is a testament to the depth of the firm that seasoned professionals stand ready to fill his shoes. The Executive team and your Board will observe the transition carefully and allocate additional personnel and resources if warranted.

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. 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 2015 the Committee met on two occasions, and composition of the Board, its Committees and further discussions regarding potential new appointments were discussed.

Rian Dartnell
Chairman
10th September 2015

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 to the Committee as 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 five years and Mr. Dartnell for four years.

Meetings and activities

The Audit Committee meets at least three times annually and three meetings were held in the fiscal year to 30th June 2015, 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 36 of this report. The first meeting, held in September 2014, was concerned mainly with the Audit Review from Moore Stephens LLP (MS). This included confirmation that, having identified no items of a material nature from their work, they would be issuing a "clean" report, together with confirmation that MS remained independent and that their non-audit services on behalf of CLIG were limited to routine assurance work on the interim financial results and minor assistance on VAT advice. As part of its routine functions, the Committee also reviewed the risk and breach registers, which showed that no material financial or regulatory impact had arisen from reported errors in the previous period.

The second meeting, held in February 2015, dealt with the Group's interim report to shareholders, including the accompanying Independent Review Report compiled by Moore Stephens LLP, a review of the Audit Committee's Terms of Reference and a discussion of the parameters provided to shareholders in respect of the forward profitability template. Additionally, the Committee agreed a schedule by which the appointment of an external auditor for the FY 2015/16 and beyond would be subject to a tender process in line with corporate governance guidelines. It was agreed that three new firms of auditors would be invited to tender alongside the incumbent.

The third meeting, held in June 2015, was concerned principally with the audit plan and attendant requirements for the Annual Report to shareholders in respect of the year to 30th June 2015. The formalisation of a more regular system for the training and business oversight of the non-executive directors (NEDs) was discussed to ensure that NEDs were fully conversant with all aspects of the Group's management and administrative functions. A report from the Group's Compliance Officer noted that recorded errors and breaches had again been immaterial with none requiring either disciplinary action or report to the Regulator. Finally, it was noted that satisfactory progress had been made in soliciting competitive bids for the audit function and it was anticipated that an award would be made shortly after the tender deadline of 30th June 2015.

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 five offices. Since the Group has no debts and only immaterial levels of intangible assets, the scope for mis-statement of the statement of financial position 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. 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 five 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. For the period to 30th June 2015, 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 three 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 12-month reporting period to 30th June 2015.

Furthermore, having considered all the audit tender proposals, which addressed both price and other criteria, the Committee judged that the Moore Stephens' tender was the most competitive and recommend that shareholders support the proposed resolution to re-appoint them at this year's AGM.

Barry Aling
Chairman
10th September 2015

DIRECTORS' REMUNERATION REPORT

THE REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

This year's Remuneration report is prepared in accordance with the 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 year to June 2015 and which will be subject to an advisory shareholder vote at the 2015 AGM; and
- the Directors' remuneration policy which will be subject to a binding shareholder vote at the 2015 Annual General Meeting (AGM) and every three years thereafter.

While the remuneration and ESOP resolutions presented at last year's annual general meeting were passed with an overwhelming majority, there were concerns expressed which we thought needed further attention. The changes we have made to our policy are to more particularly describe how discretion is exercised by the Remuneration Committee. Discretion is viewed as critically important within our overall compensation philosophy of balancing the interests of all stakeholders in the Company: shareholders, clients, employees and management. Examples of such specificity are to describe the staff bonus pool as a maximum of 30% of profits; to cap the bonus entitlement of executive directors to a maximum of 5% for the CEO, Barry Olliff, and 2.5% for all other executive directors; to introduce a new clawback provision for specified actions including failures of risk management, misconduct or other similar actions; and to limit the number of shares held by the EBT to cover unvested options so as not to exceed 5% of the issued shares.

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 described 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.

We 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

10th September 2015

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 £	Profit share £	Health insurance £	Pension £	Year to 30th June 2015 £
Non-executive					
D M Cardale	45,000	–	–	–	45,000
A S Bufferd	37,000	–	–	–	37,000
R A Dartnell	30,000	–	–	–	30,000
B A Aling	30,000	–	–	–	30,000
	142,000	–	–	–	142,000
Executive					
B M Olliff	228,499	544,952	3,417	28,562	805,430
T W Griffith	166,772	291,923	3,417	20,847	482,959
C M Yuste	166,138	291,940	3,417	20,767	482,262
	561,409	1,128,815	10,251	70,176	1,770,651
Total	703,409	1,128,815	10,251	70,176	1,912,651

	Fees/salary £	Profit share £	Health insurance £	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	3,712	30,089	693,550
T W Griffith	163,200	170,602	3,712	20,400	357,914
C M Yuste	162,531	170,602	3,712	20,316	357,161
	566,442	760,242	11,136	70,805	1,408,625
Total	715,501	760,242	11,136	70,805	1,557,684

Deferred profit share payments

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

	2015		2014	
	£	% of annual award	£	% of annual award
B M Olliff	**22,448**	**4%**	29,956	7%
T W Griffith	**13,196**	**5%**	10,645	6%
C M Yuste	**13,164**	**5%**	10,645	6%

These amounts are included in the Directors' remuneration reported in the table on page 41.

Non-executive Directors fees

The non-executive Directors' fees were last adjusted in September 2010. The following are the annual fees applicable for the year to 30th June 2015:

	£
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

These fees were reviewed during the year and the following fee structure will apply as of 1st July 2015:

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

Executive Directors salary

Thomas Griffith and Carlos Yuste each received a 6% salary increase as of 1st July 2014 and a further 2.5% increase as of 1st December 2014. The majority of employees received between 5-6% and 2-3% respectively.

Taxable benefits

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

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 (2014: 4.2%) 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.

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.

	Number of options									
	Holding 2014	Exercised during the period	Granted during the period	**Holding 2015**	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
	6,000	–	–	**6,000**	3.4875	3.4875	20,925	3 yrs	04/11/2014	04/11/2021
Vested	73,500	0	0	**73,500**						
	17,000	–	–	**17,000**	2.55	2.5	42,500	3 yrs	30/01/2017	30/01/2024
	–	–	23,500	**23,500**	3.52	3.52	82,720	3 yrs	19/06/2018	19/06/2025
Unvested	17,000	0	23,500	**40,500**						
Total	90,500	0	23,500	**114,000**						
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
	6,000	–	–	**6,000**	3.4875	3.4875	20,925	3 yrs	04/11/2014	04/11/2021
Vested	61,000	0	0	**61,000**						
	17,000	–	–	**17,000**	2.55	2.5	42,500	3 yrs	30/01/2017	30/01/2024
	–	–	23,500	**23,500**	3.52	3.52	82,720	3 yrs	19/06/2018	19/06/2025
Unvested	17,000	0	23,500	**40,500**						
Total	78,000	0	23,500	**101,500**						

The closing market price of the Company's ordinary shares at 30th June 2015 was £3.305 (2014: £2.85) and the price moved during the year between a low of £2.79 to a high of £3.60 (2014: low £2.135 high £2.9925).

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

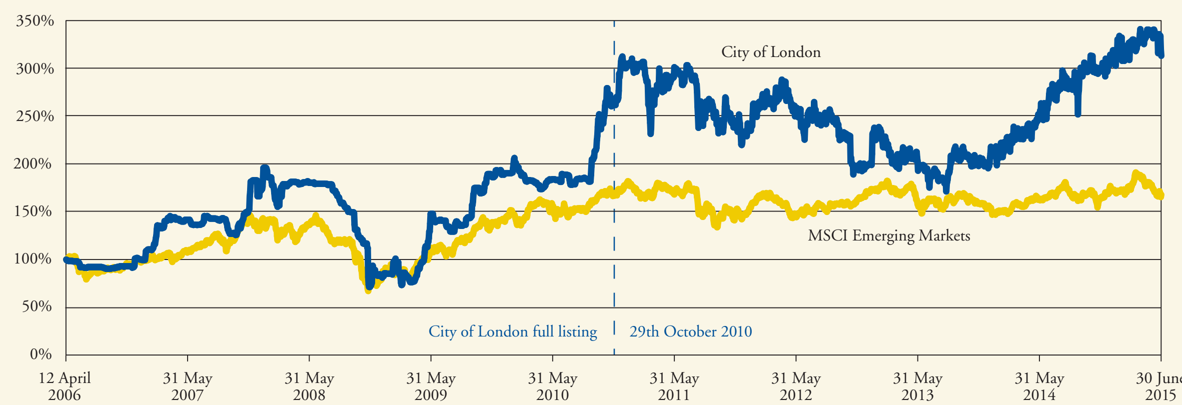
	Ordinary Shares of 1p each 2015	Ordinary Shares of 1p each 2014
B M Olliff	**2,630,000**	3,130,000
C M Yuste	**327,425**	327,425
T W Griffith	**249,925**	249,925
B A Aling (non-executive)	**94,300**	94,300
D M Cardale (Chairman) (non-executive)	**53,125**	53,125
A S Bufferd (non-executive)	**30,000**	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

The following graph illustrates the total shareholder return for a holding in the Company against an appropriate index. We have chosen the MSCI Emerging Markets T/R Index, 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 2015 (GBP)



Source: *Bloomberg.*

Chief Executive Officer single figure

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

	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 £	**Year to to 30th June 2015 £**
CEO single figure remuneration	1,152,351	1,210,763	1,012,801	580,922	693,550	**805,430**
Annual bonus (actual award as a % of the highest bonus over a six year period)	95%	100%	79%	34%	44%	**57%**
LTIP – % of maximum opportunity	n/a	n/a	n/a	n/a	n/a	**n/a**

Notes:

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

2 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 has not historically set a maximum annual bonus opportunity so the actual annual bonus award is shown relative to the highest actual award over the last six 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 2014 to 2015

	CEO	Group employees
Salary	3%	2%
Health insurance	0%	2%
Annual bonus awards	30%	41%

Notes:
– Based on 12/13 of salary reported for 2014 to provide a 12 month comparison.
– The regulations require us to disclose taxable benefits. Health insurance is offered to all employees but is not considered a taxable benefit in all countries. For comparative purposes we have based our calculations on all health insurance costs incurred, whether a taxable benefit or not.

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 all 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 comparative periods.

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.

	2015 £	2014 £	% change
Total employee spend	10,418,571	9,549,686	9%
Average headcount	70	70	0%
Profit after tax attributable to shareholders	6,577,845	5,303,235	24%
Dividends relating to the period*	5,965,864	5,985,142	0%

* The current period includes an estimate of the final dividend based on the number of qualifying shares as at 30th June 2015.

The increase in employee spend this year relates primarily to profit share which is based on 30% of pre-tax profits. In addition, the profit share allocation was temporarily reduced last financial year from 30% to 28% of pre-tax profits. A breakdown of the employee spend can be found in note 5 to the financial statements on page 65.

The decrease in total dividends paid from 2014 to 2015 resulted solely from less shares being eligible in 2015 to receive dividend payments. The per share dividends paid were unchanged from year to year at 24p per share.

Remuneration Committee

The current members of the Remuneration Committee are Allan Bufferd (Chairman of the Committee), Rian Dartnell and Barry Aling. The Remuneration Committee meets formally at least four times a year and otherwise as required. During the year to 30th June 2015 the Committee met on four 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. Furthermore the Committee reviewed and approved the renewal of the employee share option scheme and the grant of options to all employees on 19th June 2015. Details of attendance by members are set out on page 36.

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

The resolutions seeking approval of the Remuneration Policy and Annual Report at the AGM in October 2014 received the following votes.

	Policy		Annual report	
	Number of votes	Percentage of votes cast	Number of votes	Percentage of votes cast
For*	12,546,365	84.1%	11,775,020	81.8%
Against	2,380,147	15.9%	2,617,241	18.2%
Total votes cast	14,926,512		14,392,261	
Votes withheld	65,249		599,500	

*includes discretionary votes

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 was put to a binding shareholder vote for first time at the October 2014 AGM and 84% of the votes were in favour. In December 2014, the Chairman of the Remuneration Committee met with some of the major institutional shareholders to seek their feedback on proposed amendments, which after further consideration by the Remuneration Committee and the Board, have implemented the following changes:

Provision for loss of office

Barry Olliff's original service agreement entitled him to 135% of his annual salary; this has been modified to 100% of his annual salary, an amount consistent with the terms for all other Executive Directors.

Discretionary bonus

Introduction of maximum individual bonus payments and bonus clawback provisions.

ESOP

The annual allocation to executive Directors will be limited to 50% of base salary.

The revised policies are shown below and will be put to a binding shareholder vote at the October 2015 AGM. If approved, the revised policies will take effect immediately.

Policy overview

The Remuneration Committee is responsible for determining the Group's policy on Directors' remuneration and other managers. The Committee's terms of reference may be found on the Group's website at http://www.citlon.co.uk/shareholders/share_reports.php

Future policy table

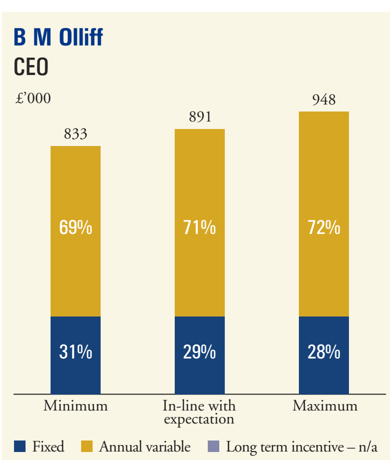
The table opposite summaries the principal components of the Group's remuneration policy for Directors.

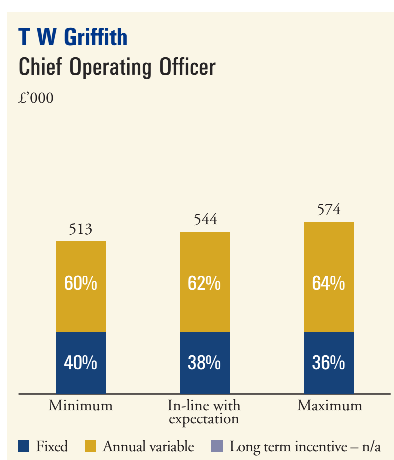
Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS				
Base salary (fixed pay)				
To pay a fair base salary, commensurate with the size of the business and the individual's role and experience.	Revised semi-annually, with changes, if any, generally effective 1st January and 1st July. The Committee considers salaries in the context of an overall package with regard to market data, Group performance and individual experience and performance.	The semi-annual pay review does not guarantee an increase. The Committee considers it important to keep fixed costs under tight control and as such salaries are at the lower end of what may be described as market average. There is no set maximum salary, however, the Committee is guided by market data/practice when setting pay awards.	Not applicable.	Not applicable.
Pension (fixed pay)				
To provide defined contribution pension arrangements to assist with recruitment and retention.	Employer contributions are made to defined contribution pension arrangements or equivalent cash allowances are paid, subject to local practice in the relevant country.	The maximum defined pension contribution or cash equivalent is 12.5% per annum of base salary.	Not applicable.	Not applicable.
Other benefits (fixed pay)				
To provide market competitive fringe benefits.	Currently benefits offered include: life insurance, medical insurance (or a contribution towards the cost), disability insurance, paid holiday/ sabbatical and travel season ticket loans. Additional benefits may be provided if required, for example to support international relocation.	These benefits represent a small element of the overall remuneration package and as such are not subject to a specific cap. Directors are entitled to 30 days paid holiday, in addition to public holidays. Mr Olliff is also entitled to an annual sabbatical of up to six weeks, with pay and benefits.	Not applicable.	Benefits are provided up to termination of employment and any outstanding travel season ticket loan is repayable in full.
Discretionary bonus (variable pay)				
To incentivise and reward Directors for their contribution to the corporate goals outlined in the strategic report.	The Company operates a bonus plan for all employees, including the executive Directors, that is linked to the Group's profitability, allocating a maximum of 30% of pre-bonus, pre-tax, operating profit for this purpose. Bonus awards are made by the Board following recommendations by the Remuneration Committee. Bonuses are paid quarterly in September (approximately 10% of the estimated annual bonus), December (20%), March (30%) and July (40%). A minimum of 10% of the July payment is deferred until September once the financial statements have been audited and approved.	The maximum payment to each Executive Director is capped at 2.5% of pre-bonus, pre-tax operating profit of the Group, except for Barry Olliff whose entitlement is capped at 5% of the pre-bonus, pre-tax operating profit, of the Group, provided, however, those profits exceed £500,000.	Bonuses are not subject to individual performance conditions and are paid in cash. Although this remuneration policy does not comply with the UK Corporate Governance Code, the Board believes that this bonus scheme has worked well in motivating staff at all levels within the Company and that this is demonstrated by the high employee retention rates experienced by the Group.	No profit share shall be payable for any year in which employment is terminated or at any time after the Director has given or received notice of termination. This relates to all executive Directors except Barry Olliff whose contract provides that he will be entitled to a proportion of the bonus to which he would have been entitled had he been employed for the whole year.
Clawback				
To ensure that bonus awards do not encourage excessive risk.	The Committee can seek to recoup the annual bonus in the exceptional event of: misstatement or misleading representation of performance; a significant failure of risk management and control; or serious misconduct of an individual.	The Committee has discretion to determine the amount of any award which it seeks to clawback.	Not applicable.	Not applicable.
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. Executive Director annual awards are limited to 50% of base salary.	Option awards are made by the Board following recommendations by the Remuneration Committee.	Options held will lapse upon termination except for good leavers who may exercise their options within six months commencing from the date they ceased to be a Director. A good leaver is a Director who leaves due to ill health or disability, sale of the business, on retirement, through redundancy or in other special circumstances approved by the Remuneration Committee (acting fairly and reasonably). Under the rules of the new option scheme adopted in June 2015, options may be exercised up to 90 days after termination.

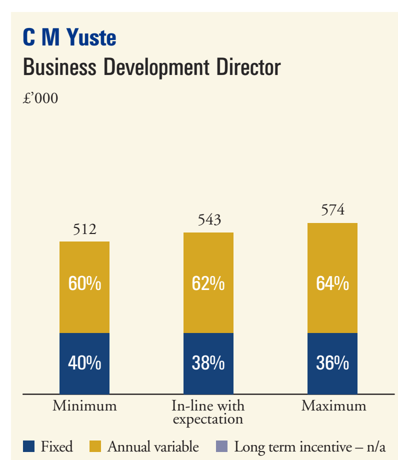
Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
NON-EXECUTIVE DIRECTORS				
Base fees				
To pay a fair fee, commensurate with the skills, experience and time required to undertake the role.	Base fees are reviewed periodically, with the last review having been taken in April 2015 and the recommended increments effective from 1 July 2015. Fees are paid monthly or quarterly in arrears, depending on Director preference. There has been no decision as to when these fees will next be revised.	The aggregate annual fees are limited to £250,000 in the Company's Articles of Association.	Not applicable.	Not applicable.
Expenses				
To enable the non-executive Directors to perform their duties.	All reasonable travelling, hotel and other expenses properly incurred in the performance of their duties as Directors, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the shareholders.	Expenses are not subject to a specific cap but they must be reasonable and appropriate.	Not applicable.	Not applicable.
Benefits				
	There are no retirement or post retirement employment benefits to non-executive Directors nor do they participate in any of the Group's incentive arrangements.	Not applicable.	Not applicable.	Not applicable.

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, the first full financial year being that ending 30th June 2017.







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 2015. 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 31st December 2019. Termination of any service contract requires 12 months written notice by either party, and the Committee has the discretion to make a payment in lieu of notice. This would consist of one year's base salary only.

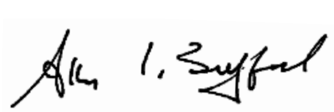
Non-executive Directors do not have service contracts, but are engaged under letters of appointment. Their appointment can be terminated by serving six months' notice by either party and the Committee has the discretion to make a payment in lieu of notice.

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

Name	Date of contract/ letter of appointment	Notice period from company	Notice period from Director	Provision of compensation for loss of office
Executive Directors				
Barry Olliff	9th June 2014	One year	One year	One year's salary
Tom Griffith	1st February 2013	One year	One year	One year's salary
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 Bufferd	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

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
10th September 2015

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
10th September 2015

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 July 2014 to 30 June 2015 which are set out on pages 54 to 78. 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 2015 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 50, 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 reviewing the control framework and recent detailed review conducted by the group's compliance department over the accuracy and completeness of mandate restriction requirements included within the trade order management system, 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 testing, we found no unexplained deviations between restrictions included in 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.

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 £370,000 which was determined by a reference to a benchmark of approximately 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 have agreed with the Audit Committee that we will report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £10,000 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 32, 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

11th September 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015

	Note	Year to 30th June 2015 £	13 months to 30th June 2014 (restated) £
Revenue			
Gross fee income	4	25,356,009	24,215,277
Commissions payable		(2,274,745)	(3,068,001)
Custody fees payable		(737,513)	(844,663)
Net fee income		22,343,751	20,302,613
Administrative expenses			
Staff costs	5(b)	10,418,571	9,549,686
Other administrative expenses		3,027,637	3,569,791
Depreciation and amortisation		170,852	185,264
		(13,617,060)	(13,304,741)
Operating profit	7	8,726,691	6,997,872
Interest receivable and similar gains	8	204,979	417,927
Profit before taxation		8,931,670	7,415,799
Income tax expense	9	(2,318,004)	(2,061,742)
Profit for the period		6,613,666	5,354,057
Profit attributable to:			
Non-controlling interests		35,821	50,822
Equity shareholders of the parent		6,577,845	5,303,235
Basic earnings per share	10	26.4p	21.1p
Diluted earnings per share	10	26.0p	21.0p

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2015

	Group		Company	
	Year to 30th June 2015 £	13 months to 30th June 2014 (restated) £	Year to 30th June 2015 £	13 months to 30th June 2014 (restated) £
Profit for the period	6,613,666	5,354,057	5,446,205	6,700,608
Items which may be realised through the profit or loss:				
Fair value gains/(losses) on available-for-sale investments*	2,117	(822)	2,117	(822)
Release of fair value losses/(gains) on disposal of available-for-sale investments*	40	(34,022)	40	(34,022)
Foreign exchange gains/(losses) on non-monetary assets	50,988	(58,639)	–	–
Other comprehensive income/(loss)	53,145	(93,483)	2,157	(34,844)
Total comprehensive income for the period	6,666,811	5,260,574	5,448,362	6,665,764
Attributable to:				
Equity shareholders of the parent	6,630,990	5,209,752	5,448,362	6,665,764
Non-controlling interests	35,821	50,822	–	–

*Net of deferred tax, detailed in note 14.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

30TH JUNE 2015

	Note	Group		Company	
		30th June 2015 £	30th June 2014 (restated) £	30th June 2015 £	30th June 2014 (restated) £
Non-current assets					
Property and equipment	11	384,083	376,831	88,643	126,045
Intangible assets	12	196,343	215,323	–	–
Other financial assets	13	2,075,954	1,824,984	1,810,792	1,755,782
Deferred tax asset	14	395,354	283,366	34,674	15,776
		3,051,734	2,700,504	1,934,109	1,897,603
Current assets					
Trade and other receivables	15	4,509,184	3,635,477	1,935,076	2,288,484
Current tax receivable		–	–	317,095	399,537
Cash and cash equivalents		10,226,705	10,242,906	82,804	90,045
		14,735,889	13,878,383	2,334,975	2,778,066
Current liabilities					
Trade and other payables	16	(2,609,944)	(1,294,456)	(1,601,947)	(438,270)
Current tax payable		(814,638)	(760,445)	–	–
Creditors, amounts falling due within one year		(3,424,582)	(2,054,901)	(1,601,947)	(438,270)
Net current assets		11,311,307	11,823,482	733,028	2,339,796
Total assets less current liabilities		14,363,041	14,523,986	2,667,137	4,237,399
Non-current liabilities					
Deferred tax liability	17	(115,525)	(98,818)	(2,154)	(1,718)
Net assets		14,247,516	14,425,168	2,664,983	4,235,681
Capital and reserves					
Share capital	18	269,123	269,727	269,123	269,727
Share premium account		2,117,888	2,060,809	2,117,888	2,060,809
Investment in own shares		(5,692,430)	(4,884,025)	(5,692,430)	(4,884,025)
Fair value reserve		8,619	6,462	8,619	6,462
Share option reserve		807,106	732,651	620,541	646,862
Foreign exchange reserve		(7,651)	(58,639)	–	–
Capital redemption reserve		21,597	20,582	21,597	20,582
Retained earnings		16,127,877	15,759,107	5,319,645	6,115,264
Shareholders interest		13,652,129	13,906,674	2,664,983	4,235,681
Non-controlling interest		595,387	518,494	–	–
Total equity		14,247,516	14,425,168	2,664,983	4,235,681

The Board of Directors approve and authorise for issue these financial statements on 10th September 2015.

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 2015

	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 £	Non-controlling interest £	Total £
At 1st June 2013	269,377	2,045,409	(4,910,800)	302,867	–	716,660	20,582	16,185,941	14,630,036	–	14,630,036
Adjustment re: change in accounting policy	–	–	–	(261,561)	–	–	–	261,561	–	–	–
	269,377	2,045,409	(4,910,800)	41,306	–	716,660	20,582	16,447,502	14,630,036	–	14,630,036
Profit for the period	–	–	–	–	–	–	–	5,303,235	5,303,235	50,822	5,354,057
Comprehensive income	–	–	–	(34,844)	(58,639)	–	–	–	(93,483)	–	(93,483)
Total comprehensive income	–	–	–	(34,844)	(58,639)	–	–	5,303,235	5,209,752	50,822	5,260,574
Transactions with owners											
Non-controlling interest investment	–	–	–	–	–	–	–	–	–	467,672	467,672
Share option exercise	350	15,400	26,775	–	–	(4,145)	–	4,145	42,525	–	42,525
Share-based payment	–	–	–	–	–	(15,184)	–	–	(15,184)	–	(15,184)
Deferred tax	–	–	–	–	–	35,320	–	5,660	40,980	–	40,980
Current tax on share options	–	–	–	–	–	–	–	29,627	29,627	–	29,627
Dividends paid	–	–	–	–	–	–	–	(6,031,062)	(6,031,062)	–	(6,031,062)
Total transactions with owners	350	15,400	26,775	–	–	15,991	–	(5,991,630)	(5,933,114)	467,672	(5,465,442)
At 1st July 2014	269,727	2,060,809	(4,884,025)	6,462	(58,639)	732,651	20,582	15,759,107	13,906,674	518,494	14,425,168
Profit for the period	–	–	–	–	–	–	–	6,577,845	6,577,845	35,821	6,613,666
Comprehensive income	–	–	–	2,157	50,988	–	–	–	53,145	–	53,145
Total comprehensive income	–	–	–	2,157	50,988	–	–	6,577,845	6,630,990	35,821	6,666,811
Transactions with owners											
Forex movement on NCI investment	–	–	–	–	–	–	–	–	–	41,072	41,072
Share option exercise	411	57,079	188,536	–	–	(36,358)	–	36,358	246,026	–	246,026
Share cancellation	(1,015)	–	–	–	–	–	1,015	(325,054)	(325,054)	–	(325,054)
Purchase of own shares	–	–	(996,941)	–	–	–	–	–	(996,941)	–	(996,941)
Share-based payment	–	–	–	–	–	10,037	–	–	10,037	–	10,037
Deferred tax	–	–	–	–	–	100,776	–	8,737	109,513	–	109,513
Current tax on share options	–	–	–	–	–	–	–	30,711	30,711	–	30,711
Dividends paid	–	–	–	–	–	–	–	(5,959,827)	(5,959,827)	–	(5,959,827)
Total transactions with owners	(604)	57,079	(808,405)	–	–	74,455	1,015	(6,209,075)	(6,885,535)	41,072	(6,844,463)
At 30th June 2015	**269,123**	**2,117,888**	**(5,692,430)**	**8,619**	**(7,651)**	**807,106**	**21,597**	**16,127,877**	**13,652,129**	**595,387**	**14,247,516**

COMPANY STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2015

	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 2013	269,377	2,045,409	(4,910,800)	302,867	666,191	20,582	5,437,994	3,831,620
Adjustment re: change in accounting policy	–	–	–	(261,561)	–	–	–	(261,561)
	269,377	2,045,409	(4,910,800)	41,306	666,191	20,582	5,437,994	3,570,059
Profit for the period	–	–	–	–	–	–	6,700,608	6,700,608
Comprehensive income	–	–	–	(34,844)	–	–	–	(34,844)
Total comprehensive income	–	–	–	(34,844)	–	–	6,700,608	6,665,764
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 1st July 2014	269,727	2,060,809	(4,884,025)	6,462	646,862	20,582	6,115,264	4,235,681
Profit for the period	–	–	–	–	–	–	5,446,205	5,446,205
Comprehensive income	–	–	–	2,157	–	–	–	2,157
Total comprehensive income	–	–	–	2,157	–	–	5,446,205	5,448,362
Transactions with owners								
Share option exercise	411	57,079	188,536	–	(36,358)	–	16,943	226,611
Share cancellation	(1,015)	–	–	–	–	1,015	(325,054)	(325,054)
Purchase of own shares	–	–	(996,941)	–	–	–	–	(996,941)
Share-based payment	–	–	–	–	10,037	–	–	10,037
Deferred tax	–	–	–	–	–	–	17,280	17,280
Current tax on share options	–	–	–	–	–	–	8,834	8,834
Dividends paid	–	–	–	–	–	–	(5,959,827)	(5,959,827)
Total transactions with owners	(604)	57,079	(808,405)	–	(26,321)	1,015	(6,241,824)	(7,019,060)
At 30th June 2015	**269,123**	**2,117,888**	**(5,692,430)**	**8,619**	**620,541**	**21,597**	**5,319,645**	**2,664,983**

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015

	Note	Group		Company	
		30th June 2015 £	30th June 2014 (restated) £	30th June 2015 £	30th June 2014 (restated) £
Cash flow from operating activities					
Operating profit		8,726,691	6,997,872	183,428	204,465
Adjustments for:					
Depreciation charges		125,392	136,015	56,919	68,533
Amortisation of intangible assets		45,460	49,249	–	–
Share-based payment charge		10,037	(15,184)	8,090	(20,651)
Translation adjustments		(154,153)	294,202	(70,383)	121,706
(Profit)/loss on disposal of fixed assets		–	(363)	–	–
Cash generated from operations before changes in working capital		8,753,427	7,461,791	178,054	374,053
(Increase)/decrease in trade and other receivables		(873,707)	(96,751)	353,408	(82,296)
Increase/(decrease) in trade and other payables		1,315,488	(1,836,467)	1,163,677	(3,453,808)
Cash generated from operations		9,195,208	5,528,573	1,695,139	(3,162,051)
Interest received		57,482	97,369	404	713
Interest paid		–	(384)	–	(384)
Taxation (paid)/received		(2,219,304)	(1,926,509)	52,439	21,540
Net cash generated from/(used in) operating activities		7,033,386	3,699,049	1,747,982	(3,140,182)
Cash flow from investing activities					
Dividends received from subsidiaries		–	–	5,292,000	6,421,000
Purchase of property and equipment		(108,136)	(38,960)	(19,517)	(23,515)
Proceeds from sale of property and equipment		–	782	–	–
Purchase of non-current financial assets		–	(470,595)	–	(2,923)
Proceeds from sale of non-current financial assets		5,960	493,834	3,168	487,385
Purchase of current financial assets		(328,962)	(1,105,022)	(328,962)	(1,105,022)
Proceeds from sale of current financial assets		329,382	3,298,452	329,382	3,298,452
Net cash generated from investing activities		(101,756)	2,178,491	5,276,071	9,075,377
Cash flow from financing activities					
Proceeds from issue of ordinary shares		57,490	15,750	57,490	15,750
Ordinary dividends paid	19	(5,959,827)	(6,031,062)	(5,959,827)	(6,031,062)
Purchase and cancellation of own shares		(325,054)	–	(325,054)	–
Purchase of own shares by employee share option trust		(996,941)	–	(996,941)	–
Proceeds from sale of own shares by employee share option trust		188,536	26,775	188,536	26,775
Capital from non-controlling interest		–	467,672	–	–
Net cash used in financing activities		(7,035,796)	(5,520,865)	(7,035,796)	(5,988,537)
Net (decrease)/increase in cash and cash equivalents		(104,166)	356,675	(11,743)	(53,342)
Cash and cash equivalents at start of period		10,242,906	10,061,185	90,045	146,416
Effect of exchange rate changes		87,965	(174,954)	4,502	(3,029)
Cash and cash equivalents at end of period		10,226,705	10,242,906	82,804	90,045

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 year ended 30th June 2015 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 Group adopted the following during the year:

IFRS 10 Consolidated financial statements (revised) – This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It 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. An investor controls an investee when it has power over the relevant activities, exposure to variable returns from the investee, and the ability to affect those returns through its power over the investee. This control model applies to all entities and includes the Group's seed investments in funds that it manages, previously reported as "available-for-sale financial assets". As a result, the change in fair value of these investments is now recognised in the income statement, where previously recognised as part of other comprehensive income. The impact of the standard on this year's income statement is £0.1 million to the owners of the Company (2014: £0.1 million) and £0.0 million in relation to non-controlling interests (2014: £0.1 million). In accordance with the reporting requirements the prior period has been restated.

IFRS 12 Disclosure of Interests in Other Entities (revised) – 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, investments in subsidiaries, joint arrangements, associates and unconsolidated structured entities. These disclosures can be found in the notes to the financial statements.

As at 30th June 2015, the following Standards and Interpretations, which are relevant to the Group, were in issue and EU endorsed but not yet effective:

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

IFRS 9 also introduces an expected loss model for the assessment of impairment. The current incurred loss model (under IAS 39) requires the Group to recognise impairment losses when there is objective evidence that an asset is impaired; under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. The Group does not anticipate that this will have a material impact on results.

1 BASIS OF PREPARATION CONTINUED

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The Standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Standard is effective for annual periods beginning on or after 1st January 2018 and earlier application is permitted subject to EU endorsement. The Group is currently assessing the impact of IFRS 15 on its financial statements.

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

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.

2 BASIS OF CONSOLIDATION

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

When assessing whether to consolidate an entity, the Group evaluates a range of control factors, namely:

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

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. The Group's subsidiary undertakings as at 30th June 2015 are detailed on the following page.

2 BASIS OF CONSOLIDATION CONTINUED

Subsidiary undertakings	Activity	Controlling interest
City of London Investment Management Company Limited	Management of funds	100%
City of London US Investments Limited	Holding company for US companies	100%
World Markets Umbrella Global Equity Fund	Open-end offshore sub-fund	100%
International Equity CEF Fund	Delaware Statutory Trust fund	52%

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(iii) Financial instruments

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

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

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

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

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

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

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

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

The Group's investments have been classified here for recognition and measurement purposes under IAS39 but are not necessarily reported in the statement of financial position under those headings. A table showing how they are reported is shown in note 24.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

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

(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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 £
Year to 30th June 2015						
Gross fee income	**23,607,743**	**789,710**	**185,731**	**772,825**	**–**	**25,356,009**
Non-current assets:						
Property and equipment	**295,440**	**–**	**84,635**	**–**	**4,008**	**384,083**
Intangible assets	**196,343**	**–**	**–**	**–**	**–**	**196,343**
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

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

5 EMPLOYEES

(a) Average number of persons employed by the Group in the period:	Year to 30th June 2015 Number	13 months to 30th June 2014 Number
Investment Management/Research	27	29
Performance and Attribution	6	6
Business Development/Marketing	3	3
Client Services	6	6
Administration, Accounts and Settlements	28	26
	70	70

(b) The aggregate employment costs of staff and Directors were:	Year to 30th June 2015 £	13 months to 30th June 2014 £
Wages and salaries	4,956,376	5,238,336
Profit sharing payments	3,881,905	2,787,088
Social security costs	693,644	620,590
Defined contribution pension costs	554,130	577,763
Share options charge	10,037	(15,184)
Other staff costs	322,479	341,093
	10,418,571	9,549,686

6 DIRECTORS

Directors' emoluments comprise:	Year to 30th June 2015 £	13 months to 30th June 2014 £
Emoluments (excluding pension contributions and awards under share option schemes)	1,832,224	1,475,743
Pension contributions	70,176	70,805
Health insurance [(1)]	10,251	11,136
Share option charge	2,892	4,888
Gains on exercise of share options	–	–

	Year to 30th June 2015 Number	13 months to 30th June 2014 Number
Number of Directors on whose behalf pension contributions were paid during the period	3	3
Number of Directors who exercised share options during the period	–	–

Highest paid Director's remuneration:	Year to 30th June 2015 £	13 months to 30th June 2014 £
Emoluments (excluding pension contributions and awards under share option schemes)	773,451	659,749
Pension contributions	28,562	30,089
Health insurance [(1)]	3,417	3,712
Share option charge	–	–
Gains on exercise of share options	–	–

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

Further details relating to Directors' emoluments can be found in the Directors' Remuneration report on pages 40 to 49.

7 OPERATING PROFIT

The operating profit is arrived at after charging:	Year to 30th June 2015 £	13 months to 30th June 2014 £
Depreciation of owned assets	125,392	136,015
Amortisation of intangible assets	45,460	49,249
Auditors' remuneration:		
– Statutory audit	80,347	69,138
– Taxation services	10,562	6,152
– Audit related assurance services	7,572	7,398
– Other services	1,937	3,817
Operating lease rentals:		
– Land and buildings	377,837	385,351
– Other	1,527	888

8 INTEREST RECEIVABLE AND SIMILAR GAINS

	Year to 30th June 2015 £	13 months to 30th June 2014 (restated) £
Interest on bank deposit	57,482	96,985
Gain on sale of investments	7,205	147,427
Unrealised gain on investments	140,292	173,515
	204,979	417,927

9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge on ordinary activities:	Year to 30th June 2015 £	13 months to 30th June 2014 (restated) £
Tax at 21% (2014: 23%) based on the profit for the period	1,862,091	1,717,137
Double taxation relief	(1,163,081)	(1,057,311)
Deferred tax	13,795	16,564
Change in tax rate to 20%	(8,214)	(13,209)
Adjustments in respect of prior years	(1,689)	(1,681)
Domestic tax total	702,902	661,500
Foreign tax for the current period	1,634,366	1,378,365
Adjustments in respect of prior years	(19,264)	21,877
Foreign tax total	1,615,102	1,400,242
Total tax charge in income statement	2,318,004	2,061,742

9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES CONTINUED

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

The tax assessed for the period is different to that resulting from applying the standard rate of corporation tax in the UK – 21% (prior year – 23%). The differences are explained below:

	Year to 30th June 2015 £	13 months to 30th June 2014 (restated) £
Profit on ordinary activities before tax	8,931,670	7,415,799
Tax at 21% (2014: 23%) thereon	(1,875,651)	(1,705,634)
Effects of:		
Unrelieved overseas tax	(471,285)	(321,054)
Expenses not deductible for tax purposes	1,415	(25,294)
Income ineligible for tax	29,461	39,908
Capital allowances less than depreciation	(21,290)	(26,029)
Prior period adjustments	20,953	(20,196)
Deferred tax on share based-payments and investments	(13,795)	(16,564)
Change in tax rate to 20%	8,214	13,209
Other	3,974	(88)
Total tax charge in income statement	(2,318,004)	(2,061,742)

The reduction in the main rate of UK corporation tax to 20% with effect from 1st April 2015 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 attributable to shareholders of the parent for the period of £6,577,845 (2014: £5,303,235) divided by the weighted average number of ordinary shares in issue for the period ended 30th June 2015 of 24,907,864 (2014: 25,128,462).

As set out in the Directors' report on page 32, the Employee Benefit Trust held 2,032,118 ordinary shares in the Company as at 30th June 2015. The Trustees of the Trust have waived all rights to dividends associated with these shares. In accordance with IAS 33 the ordinary shares held by the Employee Benefit Trust have been excluded from the calculation of the weighted average of ordinary shares in issue.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the parent for the period of £6,577,845 (2014: £5,303,235) divided by the diluted weighted average of ordinary shares for the period ended 30th June 2015 of 25,272,704 (2014: 25,305,973).

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

	30th June 2015 Number of shares	30th June 2014 Number of shares
Weighted average number of shares – basic earnings per share	24,907,864	25,128,462
Effect of dilutive potential shares – share options	364,840	177,511
Weighted average number of shares – diluted earnings per share	25,272,704	25,305,973

11 PROPERTY AND EQUIPMENT

	30th June 2015				30th June 2014			
	Furniture and equipment £	Computer and telephone equipment £	Short leasehold improvements £	Total £	Furniture and equipment £	Computer and telephone equipment £	Short leasehold improvements £	Total £
Group								
Cost								
At start of period	197,364	1,554,135	579,163	2,330,662	197,213	1,581,862	596,254	2,375,329
Currency translation	6,755	123,783	26,385	156,923	(2,022)	(52,418)	(18,516)	(72,956)
Additions	9,278	98,858	–	108,136	2,173	35,362	1,425	38,960
Disposals	–	–	–	–	–	(10,671)	–	(10,671)
At close of period	213,397	1,776,776	605,548	2,595,721	197,364	1,554,135	579,163	2,330,662
Accumulated depreciation								
At start of period	190,445	1,471,453	291,933	1,953,831	184,462	1,446,089	254,120	1,884,671
Currency translation	6,347	122,866	3,202	132,415	(1,812)	(50,092)	(4,699)	(56,603)
Charge for the period	7,476	78,665	39,251	125,392	7,795	85,708	42,512	136,015
Disposals	–	–	–	–	–	(10,252)	–	(10,252)
At close of period	204,268	1,672,984	334,386	2,211,638	190,445	1,471,453	291,933	1,953,831
Net book value								
At close of period	9,129	103,792	271,162	384,083	6,919	82,682	287,230	376,831
Company								
Cost								
At start of period	121,417	614,242	278,719	1,014,378	121,417	590,727	278,719	990,863
Additions	858	18,659	–	19,517	–	23,515	–	23,515
Disposals	–	–	–	–	–	–	–	–
At close of period	122,275	632,901	278,719	1,033,895	121,417	614,242	278,719	1,014,378
Accumulated depreciation								
At start of period	118,968	564,591	204,774	888,333	114,154	520,898	184,748	819,800
Charge for the period	2,321	36,112	18,486	56,919	4,814	43,693	20,026	68,533
Disposals	–	–	–	–	–	–	–	–
At close of period	121,289	600,703	223,260	945,252	118,968	564,591	204,774	888,333
Net book value								
At close of period	986	32,198	55,459	88,643	2,449	49,651	73,945	126,045

12 INTANGIBLE ASSETS

Group	30th June 2015 Long term software licences £	30th June 2014 Long term software licences £
Cost		
At start of period	379,983	454,605
Currency translation	33,371	(74,622)
Additions	–	–
At close of period	413,354	379,983
Amortisation charge		
At start of period	164,660	147,747
Currency translation	6,891	(32,336)
Charge for the period	45,460	49,249
At close of period	217,011	164,660
Net book value		
At close of period	196,343	215,323

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

13 OTHER FINANCIAL ASSETS (NON-CURRENT)

Group	30th June 2015 Unlisted investments £	30th June 2014 Unlisted investments (restated) £
Cost		
At start of period	1,824,984	1,680,092
Additions	–	470,595
Disposals	(6,359)	(348,215)
Fair value gains/(losses)	257,329	22,512
At close of period	2,075,954	1,824,984

13 OTHER FINANCIAL ASSETS (NON-CURRENT) CONTINUED

Company	30th June 2015 Unlisted investments £	30th June 2015 Investment in subsidiary undertakings £	30th June 2015 Total £	30th June 2014 (restated) Unlisted investments £	30th June 2014 (restated) Investment in subsidiary undertakings £	30th June 2014 (restated) Total £
Cost						
At start of period	25,273	1,730,509	1,755,782	27,368	2,070,372	2,097,740
Additions	–	19,286	19,286	2,923	20,612	23,535
Disposals	(3,180)	(36,754)	(39,934)	(756)	(360,475)	(361,231)
Fair value gains/(losses) recognised in other comprehensive income	4,054	–	4,054	(4,262)	–	(4,262)
Other movements	–	71,604	71,604	–	–	–
At close of period	26,147	1,784,645	1,810,792	25,273	1,730,509	1,755,782

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 on page 61.

14 DEFERRED TAX ASSET

	Share-based payments Group £	Share-based payments Company £
At 1st June 2013	239,980	8,480
Credit to income	2,406	–
Credit to equity	40,980	7,296
At 30th June 2014	283,366	15,776
Credit to income	2,475	1,618
Credit to equity	109,513	17,280
At 30th June 2015	395,354	34,674

15 TRADE AND OTHER RECEIVABLES

	Group 30th June 2015 £	Group 30th June 2014 £	Company 30th June 2015 £	Company 30th June 2014 £
Trade receivables	257,814	22,640	–	–
Accrued income	3,586,831	2,864,198	–	–
Amounts owed by Group undertakings	–	–	1,616,568	1,964,410
Other debtors	101,130	236,244	70,528	87,512
Prepayments	563,409	512,395	247,980	236,562
	4,509,184	3,635,477	1,935,076	2,288,484

16 TRADE AND OTHER PAYABLES

	Group		Company	
	30th June 2015 £	30th June 2014 £	30th June 2015 £	30th June 2014 £
Sundry creditors	25,215	715	939	715
Amounts owed to Group undertakings	–	–	764,376	45
Other taxation and social security	68,312	292,612	68,112	291,665
Accruals and deferred income	2,516,417	1,001,129	768,520	145,845
	2,609,944	1,294,456	1,601,947	438,270

17 DEFERRED TAX LIABILITY

	Group £	Company £
At 1st June 2013 (restated)	90,467	2,433
Increase due to gain in fair value of available-for-sale investments	716	9,414
Increase due to gain in other financial assets	37,946	–
Released on disposal of available-for-sale investments	(10,129)	(10,129)
Released on disposal of other financial assets	(20,182)	–
At 30th June 2014 (restated)	98,818	1,718
Increase due to gain in fair value of available-for-sale investments	447	447
Increase due to gain in fair value of other financial assets	16,271	–
Released on disposal of available-for-sale investments	(11)	(11)
At 30th June 2015	115,525	2,154

18 SHARE CAPITAL

Group and Company	30th June 2015 £	30th June 2014 £
Allotted, called up and fully paid		
At start of period 26,972,707 (2014: 26,937,707) Ordinary shares of 1p each	269,727	269,377
Dilutive share options exercised; 41,064 (2014: 35,000)	411	350
Shares repurchased and cancelled; 101,500 (2014: Nil)	(1,015)	–
At end of period 26,912,271 (2014: 26,972,707) Ordinary shares of 1p each	269,123	269,727

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

19 DIVIDEND

	30th June 2015 £	30th June 2014 £
Dividends paid:		
Interim dividend of 8p per share (2014: 8p)	**1,985,039**	2,010,354
Final dividend in respect of year ended:		
30th June 2014 of 16p per share (2013: 16p)	**3,974,788**	4,020,708
	5,959,827	6,031,062

A final dividend of 16p per share has been proposed, payable on 30th October 2015, subject to shareholder approval, to shareholders who are on the register of members on 9th October 2015.

20 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 £5,446,205 (2014: £6,700,608).

21 OPERATING LEASE COMMITMENTS

At 30th June 2015 the Group had the following commitments for future minimum lease payments under non-cancellable operating leases:

	Group		Company	
	Land and buildings 30th June 2015 £	Land and buildings 30th June 2014 £	Land and buildings 30th June 2015 £	Land and buildings 30th June 2014 £
Within one year	**364,313**	353,148	**212,160**	212,160
In the second to fifth years inclusive	**707,589**	686,677	**424,321**	636,481
After five years	–	–	–	–
	1,071,902	1,039,825	**636,481**	848,641

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.

22 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
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%	2.5000	2.5500	31.5246%	9.51%	0.3453	491,700
19/06/2015	19/06/2025	6.50	1.6891%	3.5200	3.5200	30.8275%	6.51%	0.6141	398,585

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

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

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

	Year to 30th June 2015		13 months to 30th June 2014	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at the beginning of the period	2,003,690	2.68	1,773,865	2.74
Granted during the period	398,585	3.52	491,700	2.55
Forfeited during the period	101,875	3.03	216,375	3.27
Exercised during the period	141,729	1.74	45,500	0.94
Outstanding at the end of the period	2,158,671	2.88	2,003,690	2.68
Exercisable at the end of the period	1,319,886	2.80	1,303,490	2.58
The weighted average share price at the date of exercise for share options exercised during the period was		3.38		2.76

The total share-based payment for the period is a charge of £10,037 (2014: write back of £15,184). For outstanding share options the exercise price ranged between £0.26 and £4.10, and all have a contract life of ten years.

23 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 41 and in note 6.

(ii) Summary of transactions and balances

During the period the Company received from its subsidiaries £5,978,813 (2014: £5,918,855) in respect of management service charges and dividends of £5,292,000 (2014: £6,421,000).

Amounts outstanding between the Company and its subsidiaries as at 30th June 2015 are given in notes 15 and 16.

24 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 2015 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	–	2,049,170	26,784	2,075,954
Trade and other receivables	4,505,655	3,529	–	4,509,184
Cash and cash equivalents	10,226,705	–	–	10,226,705
Total	14,732,360	2,052,699	26,784	16,811,843

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]	–	2,609,944	2,609,944
Total	–	2,609,944	2,609,944

30th June 2014 (restated) 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	–	1,796,202	28,782	1,824,984
Trade and other receivables	3,529,728	105,749	–	3,635,477
Cash and cash equivalents	10,242,906	–	–	10,242,906
Total	13,772,634	1,901,951	28,782	15,703,367

Liabilities as per statement of financial position	Liabilities at fair value through profit or loss £	Financial liabilities at amortised cost £	Total £
Liabilities as per statement of financial position	–	1,294,456	1,294,456
Trade and other payables [1]	–	1,294,456	1,294,456

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

24 FINANCIAL INSTRUMENTS CONTINUED

Company

30th June 2015 Assets as per statement of financial position	Investment in subsidiaries £	Loans and receivables £	Assets at fair value through profit or loss £	Available-for-sale £	Total £
Other financial assets	1,784,645	–	–	26,147	1,810,792
Trade and other receivables	–	1,935,076	–	–	1,935,076
Cash and cash equivalents	–	82,804	–	–	82,804
Total	1,784,645	2,017,880	–	26,147	3,828,672

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)]	–	1,601,947	1,601,947
Total	–	1,601,947	1,601,947

30th June 2014 (restated) Assets as per statement of financial position	Investment in subsidiaries £	Loans and receivables £	Assets at fair value through profit or loss £	Available-for-sale £	Total £
Other financial assets	1,730,509	–	–	25,273	1,755,782
Trade and other receivables	–	2,288,484	–	–	2,288,484
Cash and cash equivalents	–	90,045	–	–	90,045
Total	1,730,509	2,378,529	–	25,273	4,134,311

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

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

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

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

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

24 FINANCIAL INSTRUMENTS CONTINUED

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 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	25,765	–	25,765
Total	–	25,765	–	25,765
Financial assets at fair value through profit or loss				
Investment in other financial assets	2,020,615	29,561	13	2,050,189
Forward currency trades	–	3,529	–	3,529
Total	2,020,615	33,090	13	2,053,715

30th June 2014 (restated)	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	27,894	–	27,894
Total	–	27,894	–	27,894
Financial liabilities at fair value through profit or loss				
Investment in other financial assets	1,782,333	14,743	14	1,797,090
Forward currency trades	–	105,749	–	105,749
Total	1,782,333	120,492	14	1,902,839

Company

30th June 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	26,147	–	26,147
Total	–	26,147	–	26,147

30th June 2014 (restated)	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	25,273	–	25,273
Total	–	25,273	–	25,273

24 FINANCIAL INSTRUMENTS CONTINUED

Level 3

Assets as of 30th June 2015 consist of one security valued at £13 (2014: £14). The Level 3 asset is an investment fund where significant unobservable inputs are being used to assign value as the investment fund is in liquidation. Previously quoted prices in active markets were being used in the valuation of the security. When the shares were placed into liquidation and market activity ceased, significant unobservable inputs were used to assign a value to the security as of year end.

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

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

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 year or the preceding period.

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 £94,670 (2014: net loss £26,563).

(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.

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

As at 30 June 2015, the Group had net asset balances of US$4,819,332 (2014: US$4,543,237), offset by forward sales totalling US$5,250,000 (2014: US$5,250,000). Other significant net asset balances were C$325,558 (2014: C$287,421) and AED290,456 (2014: AED363,558), as well as net liability balances of SGD651,590 (2014: net assets of SGD389,947).

Had the US dollar strengthened or weakened against sterling as at 30th June 2015 by 10%, with all other variables held constant, the Group's net assets would have increased or decreased (respectively) by approximately 0.7%, because the US dollar position is hedged by the forward sales.

Further details on the effects on the Group's post-tax profits due to movements in the US dollar/sterling exchange rate have been demonstrated in the Financial review on page 24.

(iv) Market risk

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

Where the Group holds investments in its own funds, the market price risk is managed through diversification of the portfolio. A 10% increase or decrease in the price level of the funds' relevant benchmarks, with all other variables held constant, would result in an increase or decrease of approximately £0.2 million in the value of the investments and profit before tax.

24 FINANCIAL INSTRUMENTS CONTINUED

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

The income from hedging recognised in the Group income statement for the period is £7,604 (2014: no hedging activity).

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 24.

(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 2015 the Group held £10,226,705 (2014: £10,242,906) in cash balances, of which £9,977,221 (2014: £9,650,902) 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 56 and 57.

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of City of London Investment Group PLC (the "Company") will be held at 77 Gracechurch Street, London EC3V 0AS on Monday 19th October 2015 at 11.30am for the following purposes:

Ordinary business

1. To receive and adopt the financial statements for the year ended 30th June 2015 together with the reports of the Directors and auditors thereon.

2. To approve the Annual report on remuneration for the year ended 30th June 2015.

3. To approve the Directors' remuneration policy report.

4. To declare a final dividend of 16p per ordinary share for the year ended 30th June 2015 payable on 30th October 2015.

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

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

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

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

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

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

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

12. To appoint Mark Dwyer as a Director of the Company, subject to regulatory approval.

13. To appoint Tracy Rodrigues as a Director of the Company, subject to regulatory approval.

14. 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.

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

Special business

To consider, and, if thought fit, pass resolutions 16 and 17 as ordinary resolutions and resolutions 18 and 19 as special resolutions.

16. 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 £89,707 (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 2016 (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.

17. 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.

18. THAT, subject to the passing of resolution 16 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 16, 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 £13,456 (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 2016 (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.

19. 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 2,691,227 (representing approximately 10% of the Company's issued ordinary share capital at the date of this notice);

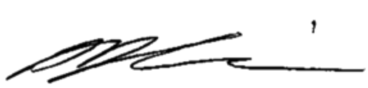
(b) the minimum price which may be paid for each ordinary share is £0.01 (1p) which amount shall be exclusive of expenses, if any;

(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 2016 (whichever is earlier),

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

By order of the Board



P A Keith
Company Secretary
10th September 2015

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, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF or returned in the envelope provided no later than 11.30am on 15th October 2015. 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 18.00pm on 15th October 2015.

   The rights of members to attend and vote at the meeting will be determined by reference to entries on the register of members at 18.00pm on 15th October 2015. Changes to entries on the register of members of the Company after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

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

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

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

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

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

EXPLANATION OF THE BUSINESS OF THE ANNUAL GENERAL MEETING

Report and accounts (Resolution 1)
The first item on the agenda requires that the Directors must present the accounts of the Company for the year ended 30th June 2015, together with the Directors' report and the independent auditors' report thereon.

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

Directors' remuneration policy report (Resolution 3)
The Company is required to put a resolution to shareholders to approve the Directors' remuneration policy report.

Shareholders are being asked to approve the Directors' remuneration policy report, which can be found on pages 46 to 49 of the Report and Accounts. The policy is intended to apply for three years from the date shareholders approve it. Once approved, the Company will not be able to make a remuneration payment to a current or prospective Director or a payment for loss of office to a current or past Director unless such payment is consistent with the policy or has been approved by a resolution of the members of the Company.

Declaration of final dividend (Resolution 4)
Your Directors are recommending a final dividend of 16p per ordinary share for the year ended 30th June 2015 which will be paid on 30th October 2015 to shareholders on the register at the close of business on 9th October 2015.

The Company's shares will trade ex-dividend from 8th October 2015 until the payment date.

Re-election of Directors (Resolutions 5 - 13)
As recently announced, Carlos Yuste has resigned with effect from 31st December 2015 but in accordance with article 132 of the Company's articles of association, all Directors are required to retire at each annual general meeting.

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 30 to 31 of the annual report.

Re-appointment of auditors (Resolution 14)
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 is the current auditor and has indicated its willingness to continue in office. If resolution 14 is passed, Moore Stephens LLP will be re-appointed as auditors to the Company for the financial year ending 30th June 2016.

Remuneration of auditors (Resolution 15)
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 16)
Resolution 16 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 £89,707 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 2016 (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 17)
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 18)
Resolution 18 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 £13,456 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 2016 (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 19)
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 19, 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 £26,912 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 2016 (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.

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Company registration number:
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Company Secretary:
Philippa Keith

FINANCIAL CALENDAR

First quarter Funds under Management (FuM) announcement	8th October 2015
Ex-dividend date for the final dividend	8th October 2015
Final dividend record date	9th October 2015
AGM	19th October 2015
Final dividend payment	30th October 2015
Second quarter FuM announcement	12th January 2016
Half year results and interim dividend announcement	15th February 2016
Ex-dividend date for the interim dividend	25th February 2016
Interim dividend record date	26th February 2016
Interim dividend payment	11th March 2016
Third quarter FuM announcement	12th April 2016
Year end	30th June 2016

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

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