CITY OF LONDON
INVESTMENT GROUP PLC

ANNUAL REPORT & ACCOUNTS 2015/2016

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, Global Tactical Asset Allocation and Private Equity closed-end fund strategies.

www.citlon.co.uk

SUMMARY

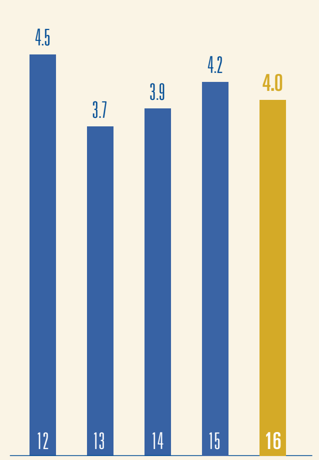
- Funds under management (FuM) at 30th June 2016 were US$4.0 billion (2015: US$4.2 billion), a fall of 5%. In sterling terms, FuM increased by 11% to £3.0 billion (2015: £2.7 billion) as a result of the exchange rate moving from 1.57 to 1.33 over the period. The MSCI Emerging Markets TR Net Index fell 12% over the same period.

- Revenues, representing the Group's management charges on FuM, were £24.4 million (2015: £25.4 million). Profit before tax was £8.0 million (2015: £8.9 million).

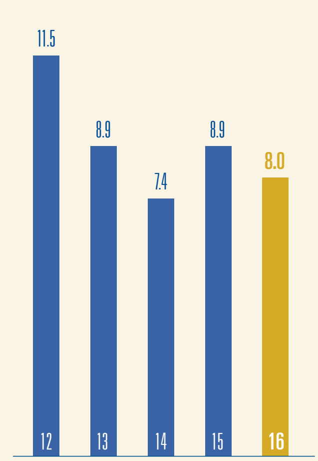
- Basic earnings per share were 23.3p (2015: 26.4p) after a tax charge of 27% (2015: 26%) of pre-tax profits.

- A maintained final dividend of 16p per share is recommended, payable on 31st October 2016 to shareholders on the register on 14th October 2016, making a total for the year of 24p (2015: 24p).

Funds under management US$bn



Pre-tax profit £m



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

CONTENTS

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.

Before addressing this, my fourth Statement as Chairman, I looked back at what I had written a year ago. At that time the long awaited US interest rates recovery was seen as, if not imminent, at least in prospect with consequences more favourable for Developed Markets than for our region of focus, the Emerging Markets (EM). How times have changed – apart from the miniscule 0.25 percent target increase last December, the Fed has yet to embark in any material way on the anticipated rate lift off, falling commodity prices have now at least stabilised (and in some cases recovered) and concern over the Chinese economy has abated considerably. Prospects for Brazil, following the appointment of Michel Temer as acting President, have improved such that we increased our exposure to Brazil adding to existing successful overweights to India and Russia.

Most importantly, what was not anticipated was the UK vote for BREXIT. For your Company this is something of a double-edged sword consequent upon the accompanying fall in the value of sterling. Little of our income is UK derived whereas a substantial percentage of our costs are sterling based. At the interim stage in February this year following the earlier period of relative US$ strength, I included in my report a matrix table we provide to investors to illustrate the impact of the US$/£ movement on profits. Below is the same matrix but this time with the US$/£ midpoint reduced from 1.45 to 1.3:

FX/Post-Tax Profit Matrix

Illustration of US$/£ rate effect:

FUM $bn	3.0	3.5	4.0	4.5	5.0
US$/£			Post-Tax, £m:		
1.20	4.8	6.7	8.5	10.4	12.2
1.25	4.5	6.3	8.1	9.8	11.6
1.30	4.2	5.9	7.6	9.4	11.1
1.35	4.0	5.6	7.3	8.9	10.6
1.40	3.7	5.3	6.9	8.5	10.1

Assumptions:

1 Average net fee 86 bp's

2 Annual operating costs £5m plus US$8m plus S$1m (£1 = S$1.8)

3 Profit share 30%

4 Average tax of 26%

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

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

It is clear that a weak pound vs the US$ has a very material effect on our profits.

At the time of writing the final outcome from the BREXIT negotiations is far from clear so the one certainty is that we have uncertainty and that will, hopefully only short term and to a limited extent, have a detrimental effect on both the UK economy and the EU as a whole with some adverse consequences for the EMs given the important trade and financial linkages. I am optimistic, however, that common sense will overcome political spitefulness and that post BREXIT there will be little change from current trade flows with the possibility that at least the UK, albeit small in global terms, will be more open to trade from the EM economies.

Results

Over the year to 30th June 2016 investment performance in our core product, the Emerging Markets closed-end fund strategy, continued to perform well with results in the first or second quartile versus manager peers for the year. Although markets were difficult and volatile with the MSCI Emerging Markets Index (MXEF) averaging only 816 during the year, clients encouraged by our strong relative performance ensured that we received a net increase in our Funds under Management ("FuM").

At 30th June 2016 we had FuM of US$4.0 billion (£3.0 billion), (2015: US$4.2 billion or £2.7 billion), representing a 5% decrease in US$ terms and an 11% increase in sterling terms as a result of the US$/sterling exchange rate moving from 1.57 to 1.33 over the period. Over the same period, the MSCI Emerging Markets TR Net Index fell by 12% in US$ terms, resulting in a relative change in FuM of +7% versus the benchmark, a product of both positive investment performance and new and existing client inflows.

In commenting on our interim results on 12th February this year when the MXEF was 711 (the low point being 689 on 21st January 2016) I stated that "I am confident that we will continue to make the best of very uncertain markets and that we will again weather the storms just as we have in previous downturns". I can report that we have taken full advantage of the subsequent rebound.

We have again seen an increase in our diversification products, which are now 9.1% of total FuM (2015: 8.5%), despite some redemptions and profit-taking.

Gross revenue for the year was £24.4 million (2015: £25.4 million). Pre-tax profits were £8.0 million (2015: £8.9 million), and profits after an anticipated tax charge of £2.1 million (27% of pre-tax profits) will be £5.9 million (2015: profits of £6.6 million after a tax charge of £2.3 million, representing 26% of pre-tax profit).

Basic and fully diluted earnings per share are 23.3p and 23.1p respectively (2015: 26.4p and 26.0p).

Dividends

As already noted at the interim stage your Board, when appropriate, will take advantage of the flexibility included in your Company's dividend policy to ensure shareholders enjoy a consistent and predictable dividend income. Although the maintained final dividend income of 16p per share making a total for the year of 24p will not be covered, the much improved outlook, noting in particular the beneficial effect on our profits illustrated in our FX Matrix of the post-BREXIT decline in the value of sterling, together with the Group's strong cash position, fully justify this payment.

This would bring the total for the year to 30th June 2016 to 24p (2015: 24p), giving a cover of 0.97 x earnings per share (2015: 1.1 x).

Your Board

This has been a year of unprecedented change at board level; we have lost two directors and gained three. Firstly Carlos Yuste, our Business Development Director, who had been with the Group for 15 years and a Director for 10 years left as of 31st December 2015. Secondly Rian Dartnell, non-executive and chair of the Nominations Committee resigned as of the financial year end due to the pressure of his other work commitments. On a more positive note, Mark Dwyer, CIO Emerging Markets CEF and Tracy Rodrigues, Finance Director joined the CLIG Board and as of 1st July 2016 we have also welcomed Mark Driver to the Board as a non-executive Director. I have now been a non-executive Director for 10 years and Chairman of the Board for the last four, and had originally intended to step down at this time. In view of the recent changes on the Board, however, I have agreed to stay on until June 2018 in order to provide continuity over this period.

Following this year's annual evaluation of the Board and its members, I can confirm that each Director is operating effectively and I therefore recommend that all Directors be re-elected.

Outlook

Over the 2015/16 year the average month end FuM (the relevant dates for fee determination) was US$3.8 billion. To date in the current year the average has been US$4.3 billion. Costs have been contained and so 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 does not increase in tandem with rising markets), 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 been volatile and only really appealed to contrarians. 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.

As in previous years all shareholders are most welcome at our AGM in October and your Directors will be available to meet and talk with individual shareholders following the meeting's formal business.

David Cardale

David Cardale
Chairman
8th September 2016

CHIEF EXECUTIVE OFFICER'S STATEMENT

At our firms last annual Strategy Meeting (which celebrated our 25th year), the theme was "Constant Improvement". This, as our shareholders will be aware, has also been a theme as it relates to our annual Accounts.

New areas of disclosure this year within the Overview part of my Statement relate to US Taxes, Environmental, Social and Governance (ESG) principles, and BREXIT, which is also referenced in the Chairman's Statement and where you will find a table that we have provided for many years now. We believe this table will be helpful to shareholders when they estimate our P&L in a volatile foreign exchange market.

This year Tom Griffith has written the Business Development Review which, while covering similar topics to last year, also includes a paragraph regarding Operational Support which is a very important part of Business Development.

In my opinion, progress this year at CLIG should not be measured in terms of our investment performance, assets gained and lost or even via the MSCI Emerging Markets Index (Total Return) (Benchmark). Rather it should be measured via the CLIG share price – this being our preferred measure of "Management Performance".

In a way, this is a very high risk strategy as it assumes that our shareholders are the ultimate arbiter of whether CLIG is "working" well, but having said that, they are the owners so isn't this the best way for us to be measured – i.e., by the owners of the business?

The graph on page 19 shows the share prices (total return) of our London listed peers with significant Emerging Markets exposure since our listing date, 12th April 2006.

As referenced above, investment performance and our benchmark are good tools of measurement but it's also interesting to review some of the other ingredients that contribute to the valuation that shareholders place upon our business – ultimately demonstrated via the share price.

Staff longevity, client longevity and FuM vs. our benchmark are all contributing factors and are reviewed on pages 9, 14 and 15 respectively.

US State Taxation

While this is well outside my area of expertise, what follows should be of interest to our peers who practice in the US.

As a result of opening an office in Seattle (actually for marketing purposes) we found out that Washington State considers that a nexus is created as a result of any client exposure in that State. This tax, whilst not onerous in terms of its quantum, led us to research if we had liabilities in other States. The amount and the principles associated with these gross revenue taxes, the calculation of which goes back four years and is fully accounted for within the figures that were disclosed on 18th July and in these Accounts, are regressive. This type of levy does no good in terms of encouraging firms such as ours and our peers to practice in the US as they increase the cost of doing business. There are a number of other States that currently charge such a tax in addition to Washington and as of today, advice received is that none of these taxes can be offset in terms of any treaty involving DTR.

Diversification and 25 years

When we started our business back in 1991 we just invested in Emerging Markets via Closed-End Funds (CEFs). Since that time our business has diversified both within the EM Asset Class and also outside it.

In the EM space we now manage CEF assets that invest in Special Situations, China A share CEF's and we also have China Specific CEF mandates.

In terms of our diversification away from the Emerging Markets we manage Developed, Frontier, Global Tactical Asset Allocation, and Private Equity closed-end fund assets.

Environmental, Social and Governance (ESG)

If you have been an active watcher of our web site you will not have failed to have noticed its increasing focus on ESG issues over the past two years.

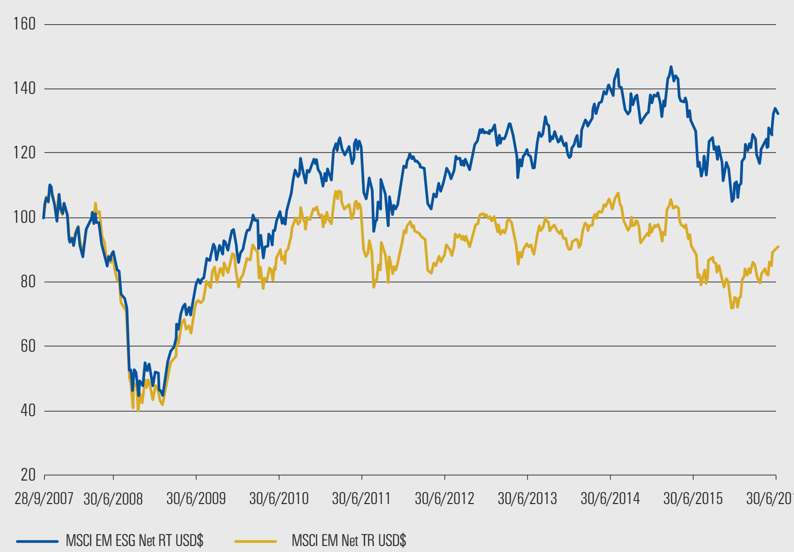
Going back ten years there was a focus on Socially Responsible Investing (SRI). This did not gain any traction, at least not in the US, and it seemed to us to be unduly prescriptive and actually unlikely to change anything.

A few years ago however, we became aware of a new movement which was gathering momentum.

As you will be aware we have significant exposure to Colleges, both Foundations as well as Endowments. Within the ESG movement, it seems to us that from a bottom up perspective the students, those attending the colleges, were asking more and more questions regarding how investments were being made by their relevant Investment Committees. Separate from their interest in the "Process" was the outcome of those investments. In addition, and you could reference this as the top down, philanthropists were increasingly providing "conditional" gifts. These "strings" often related to sensitive areas such as the environment, sustainability, correctness, ethics governance or the oversight of companies.

In addition, and this is a very separate point, we were being asked to tick a box regarding how we were either making our

MSCI emerging markets ESG Index v. MSCI emerging markets Index



investment decisions or how we were influencing with our client's assets the managers with whom we were investing. As a result, just over two years ago we started to develop the research part of our Investment Process to include questions regarding E, S and also G.

As we have developed this process so we have been able to punch well above our weight because whereas we run cUS$4billion, we were able to talk to managers with FuM of many trillions of dollars. The influence that we have therefore brought to bear with regard to these issues is substantial. At the core of our commitment to this subject is not just the fact that our clients are interested in this area but also that ESG indices have outperformed regular indices. The graph above compares the MSCI EM ESG Index from launch, 28th September 2007, against our benchmark.

Investment Performance and the CLIG P&L

Investment performance across the Group has been satisfactory. As mentioned in previous years we go out of our way to find sticky clients. This has the effect of ensuring that earnings are as stable as possible even when markets are volatile.

The most important part of our process in terms of the identification of clients is that they are well educated in terms of what we do, also how we deliver our returns. Money that can come in and out based upon circumstances that are beyond the managers control should not be considered "good" cash flow from a shareholders perspective.

As it is, the major impediment to recent performance within the Emerging Markets CEF business has been a widening of the Size-Weighted Average Discount (SWAD) at which the shares within our portfolios trade. This has been an area of education for our clients since their inception. The SWAD is shown on page 10.

BREXIT

More by luck than judgement CLIG was perfectly positioned for BREXIT.

- Virtually all CLIM income is USD based – this is good for the bottom line.
- Zero FuM effect from BREXIT – the US attitude to the EM's seems to be unchanged.

CHIEF EXECUTIVE OFFICER'S STATEMENT

(CONTINUED)

- Over 90% of income comes from the EM's – our asset class seems to be in good shape specifically within an EM currency / GBP context.
- Approximately 40% of Group costs are in GBP – this assists the P&L.
- Approximately 2.5% of CLIM assets are UCIT'S – no vulnerability there.

In the context of a personal view, I would suggest that the outcome from BREXIT will to a great extent be business as usual from a CLIG perspective. I don't see any significant reduction in terms of the type, style or focus of financial regulation. This is primarily because it would seem as if the FCA has been the main sponsor of the legislation that we are presently reviewing from Europe.

Obviously our P&L is at present benefiting substantially as a result of significant UK costs exposure and from the translation of US dollar earnings into sterling.

CLIG Dividend

As you are aware, this has been a tough time for the EM's. As a result the CLIG Board has been very flexible in its application of our dividend policy which is to target cover of 1.2x through a cycle.

With profits receiving the tail wind of a significant reduction in the valuation of GBP it would seem as if, other things being equal, we will be in a very different position when the Board considers next year's dividend.

Employee Share Ownership Plan (ESOP)

In a fund management company, clients attach a significant level of importance to employee share ownership in terms of their commitment to the company for which they work.

It's also in the interest of shareholders for staff to be 'owners' rather than 'renters', to use a housing analogy, thereby ensuring the maximum degree of alignment between employees and shareholders.

While CLIG has had an ESOP in place for many years, the shares held for the ESOP by the Trustees on behalf of staff have not received dividends. This has meant that the annualised rate of total return of approximately 11% received by an initial investor at the point of CLIG's IPO has been reduced very significantly for ESOP holders. Specifically over the past few years the dividends have made up a very significant percentage of the total return.

In an attempt to broaden the base of employee ownership, encourage direct staff participation and make CLIG shares more attractive to staff, we will be bringing forward to shareholders a proposal at the forthcoming AGM. This proposal will include, for a four year period, an increase in the staff bonus pool from 30% to 35%. This increase will only apply while the dividend payable to shareholders is at least maintained at 24p.

The additional 5% from the bonus pool will be offered to staff as a contribution towards the new Employee Incentive Plan, on condition that they put up matching funds.

This will have the effect of incentivising participating staff by matching their investment with an equivalent contribution from the company.

Regarding my Share Stake

For obvious reasons I will not be participating in the aforementioned scheme.

In terms of my CLIG shares I will continue to sell them into strength. My intention therefore (as last year) remains to sell 500,000 at 400p and 500,000 at 450p.

Outlook

Since the year end FuM have risen from US$4.0 billion to US$4.4 billion, at the time of writing. In addition, the firm continues to have a robust pipeline of potential future business across all asset classes.

CLIM continues to see robust institutional activity across Closed-End Fund asset classes and has every reason to believe that it will at least maintain its position in terms of the provision of Closed-End Fund solutions.

I would again like to thank staff for their hard work over many years in what has been a very difficult market environment. It's very good news that at long last sentiment seems to have changed towards our asset class.

Barry Olliff
Chief Executive Officer
8th September 2016

WHAT WE DO

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

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

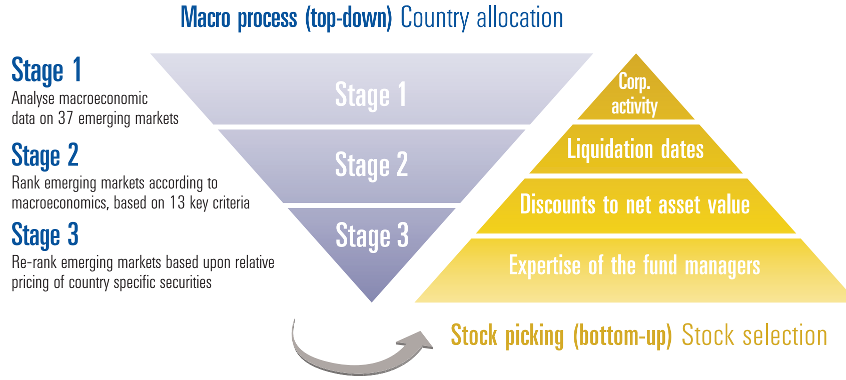
In addition, our global trading platform and knowledge of closed-end funds has been extended to meet client demand. We now manage funds applying our investment process to Developed markets, Frontier markets, Global Tactical Asset Allocation and Private Equity via closed-end funds.

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

HOW WE DO IT

THE INVESTMENT PROCESS

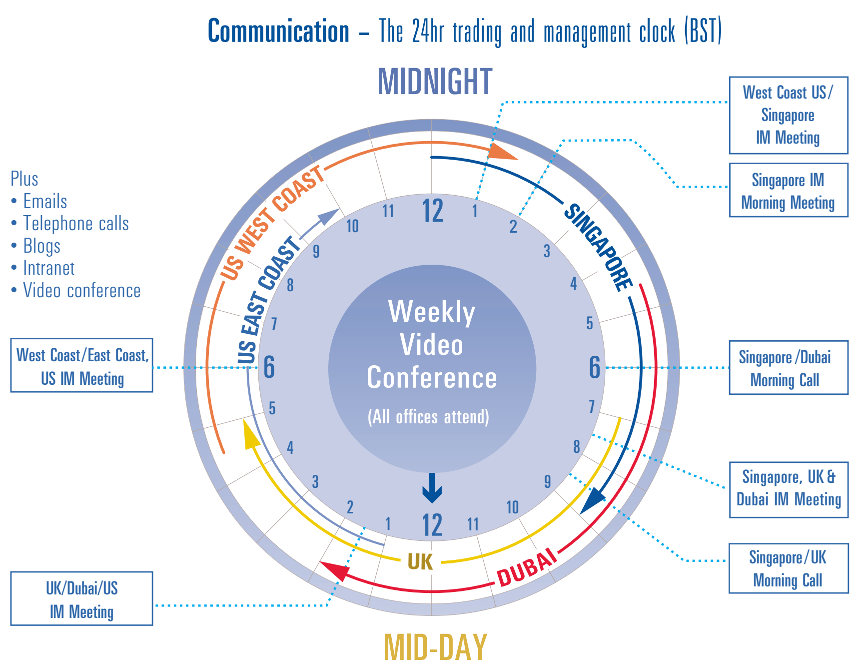
We have developed and nurtured a team investment process which does not rely on 'star' fund managers, but rather upon analytical procedures that can produce repeatable and sustainable first or second quartile performance versus our peers.



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

OUR COMPETITIVE ADVANTAGE

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



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

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

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

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 12 years.

The present Management Team at CLIM have an average tenure of 10 years. The members of the CLIM Senior Management Team are the executive Directors plus: Ashleigh Simms, Head of Compliance; Alan Hoyt, Head of IT; Michael Edmonds, Head of the Developed/GTAA strategy; Ted Sevick, Portfolio Manager – EM CEF; and Anthony Inverso, Operations Manager.

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.

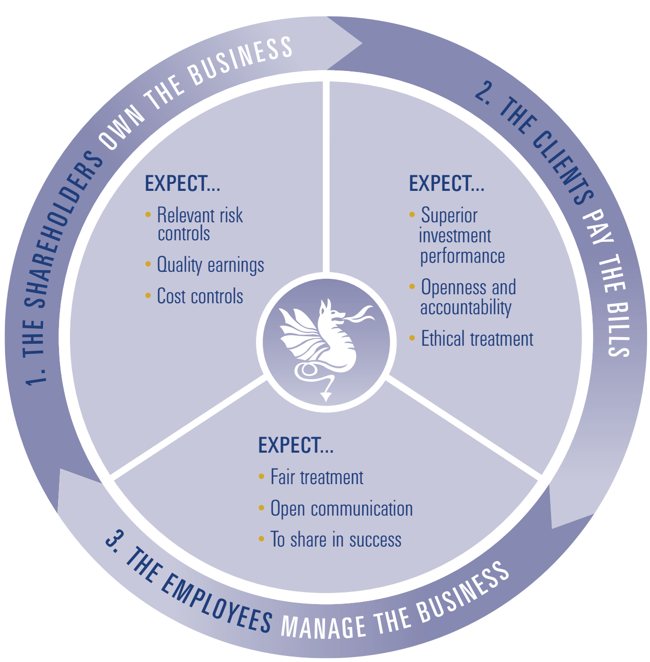
THE EMPLOYEES
(MANAGE THE BUSINESS)

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:

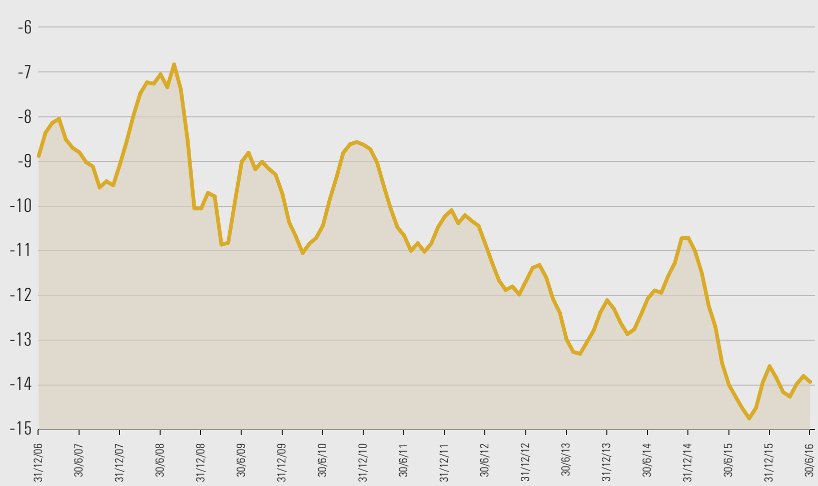
1. OUTPERFORM
2. RETAIN STAFF
3. INCREASE FUM FROM LONG-TERM INSTITUTIONAL INVESTORS
4. REMAIN OPEN IN OUR DEALINGS WITH SHAREHOLDERS, AVAILABLE AND ACCOUNTABLE
5. KEEP COSTS DOWN
6. CORPORATE CITIZENSHIP
7. HOW SHOULD WE BE MEASURED ON AN ONGOING BASIS?

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.

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

3-Month rolling average portfolio discount December 2006 to June 2016



Source: City of London Investment Management
*Represents the largest segregated account managed 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.

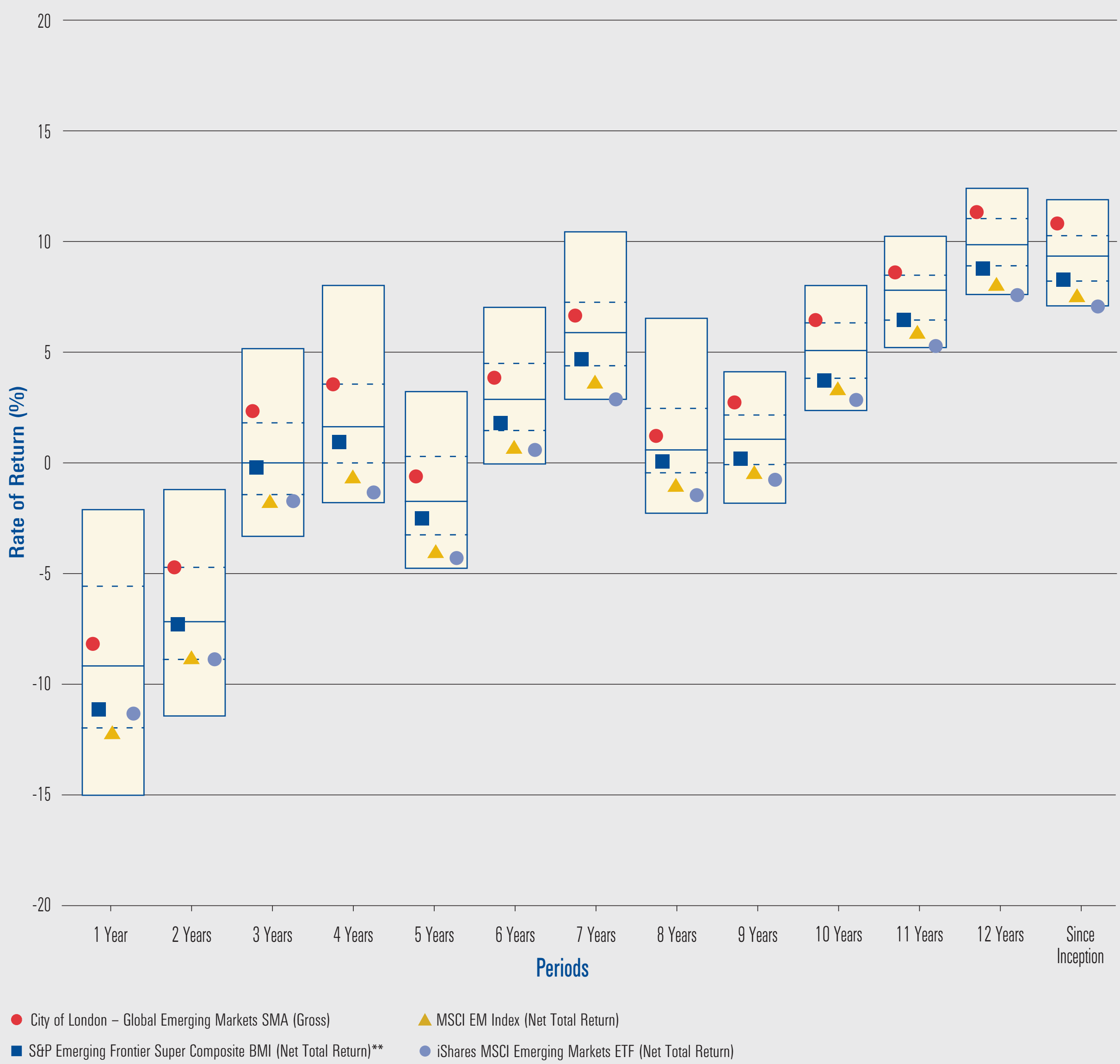
Our view is that the SWAD will either narrow (which, other things being equal, will contribute alpha) or else it will remain around present levels. In the event that it is the latter we should continue to benefit and we would expect to be able to continue to outperform relevant benchmarks.

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 T/R Index.

Global Emerging Markets SMA Composite ending 30th June 2016
*According to Evestment Alliance**



*96.9% of the universe has been updated through Quarter 2, 2016. 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 12 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 2007 to 2016.

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

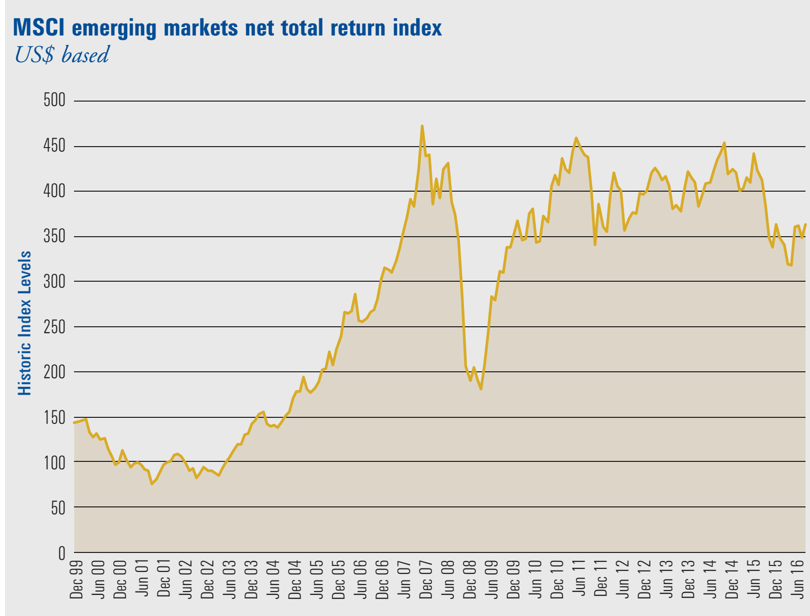
Remuneration costs for Directors and employees from 2007 to 2016

	2007 Total £'000	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	2016 Total £'000	15/16 % change
Executive																			
Barry Olliff	859	1,112	29%	740	-33%	1,125	52%	1,178	5%	981	-17%	548	-44%	660	20%	773	17%	729	-6%
D F Allison (1)	440	579	32%	354	-39%	538	52%	648	20%	565	-13%	282	-50%	–	N/A	–	N/A	–	N/A
T W Griffith	269	330	23%	254	-23%	384	51%	466	21%	414	-11%	326	-21%	334	2%	459	37%	473	3%
C M Yuste (2)	269	330	23%	254	-23%	383	51%	465	21%	413	-11%	325	-21%	334	3%	458	37%	88	-81%
V S Tannahill (3)	–	–		–		–		–		–		69		–	N/A	–	N/A	–	N/A
M D Dwyer (4)																		317	N/A
T A Rodrigues (4)																		178	N/A
Executive Directors	1,837	2,351		1,602		2,430		2,757		2,373		1,550		1,328		1,690		1,785	
All employees	3,254	4,444		4,031		5,851		7,297		7,822		6,845		6,504		7,006		6,863	
Total	5,091	6,795	33%	5,633	-17%	8,281	47%	10,054	21%	10,195	1%	8,395	-18%	7,832	-7%	8,696	11%	8,648	-1%
Average head count																			
Executive Directors	4	4		4		4		4		4		4		3		3		4	
Employees	40	46		51		58		64		73		73		67		67		68	
Percentage of aggregate spend																			
Executive Directors	36%	35%		28%		29%		27%		23%		18%		17%		19%		21%	
All employees	64%	65%		72%		71%		73%		77%		82%		83%		81%		79%	
Average employee remuneration	81	96	19%	79	-18%	101	28%	114	13%	107	-6%	93	-13%	97	4%	104	7%	100	-4%
Profit before tax	7,316	10,695	46%	5,384	-50%	10,379	93%	13,150	27%	11,462	-13%	10,160	-11%	7,242	-29%	8,791	21%	7,796	-11%
Dividend per share	10.0p	19.5p	95%	15.0p	-23%	22.0p	47%	24.0p	9%	24.0p	0%	24.0p	0%	24.0p	0%	24.0p	0%	24.0p	0%

(1) Resigned 15th April 2013
(2) Resigned 31st December 2015
(3) Appointed 1st January 2013 and resigned 15th April 2013. Remuneration disclosed for this period only.
(4) Appointed to Board 19th October 2015. Remuneration disclosed since appointment.
(†) Excludes loss of office payments

2. Retain staff

(continued)



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

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

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

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

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

Q. "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)

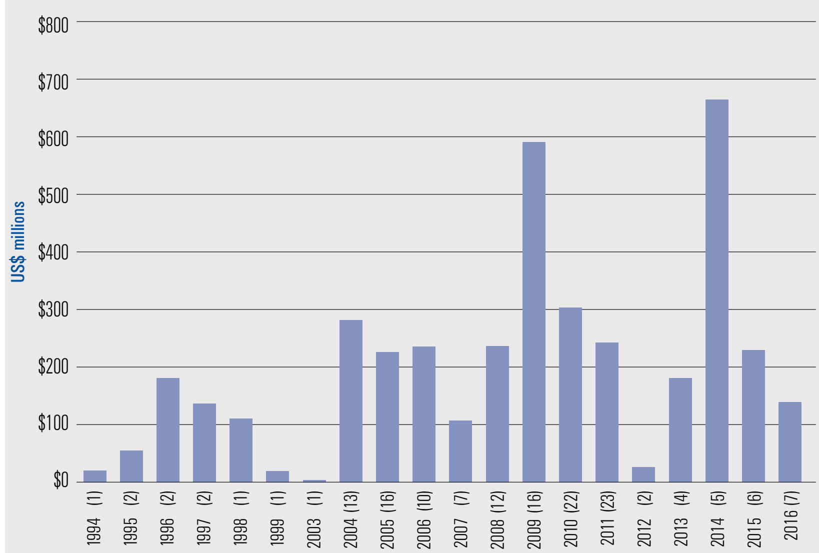
3. Increase FuM from long-term institutional investors

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.

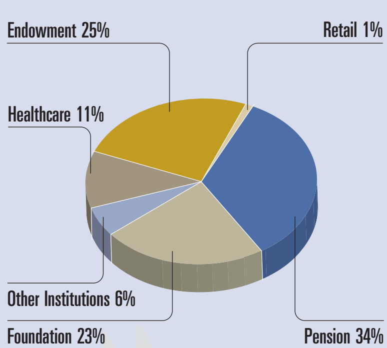
We have over 150 institutional clients, many of whom have been clients of CLIM for many years. The graph below shows the length of time that clients have been invested with us.

Client market value as of 30/6/2016



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

CLIENTS BY SECTOR



Ten largest clients by market value

	Client	Market value 30/6/2016	Inception date
1	Foundation	US$546,631,485	May 2014
2	Public Pension	US$324,604,796	September 2009
3	Public Pension	US$178,321,560	October 2013
4	Endowment	US$172,311,612	November 1996
5	Endowment	US$167,702,215	June 2004
6	Corporate Pension	US$119,176,971	March 1997
7	Healthcare	US$103,581,576	February 2009
8	Public Pension	US$96,608,791	February 2015
9	Corporate Pension	US$94,933,440	June 2006
10	Corporate Pension	US$94,506,861	December 2010
	Total	**US$1,898,379,307**	

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 shareholders are aware we are as transparent as possible with our shareholders in terms of them being able, under different market assumptions, to calculate our P&L. For the present year and as referenced on page 16 we are assuming that assets under management will grow by US$250m in the EM part of our business and US$250m in the diversification of products. Neither of these is a forecast.

In a bid to increase our marketing effort in the United States, we complemented our existing East Coast marketing presence with an appointment on the West Coast, in May 2015.

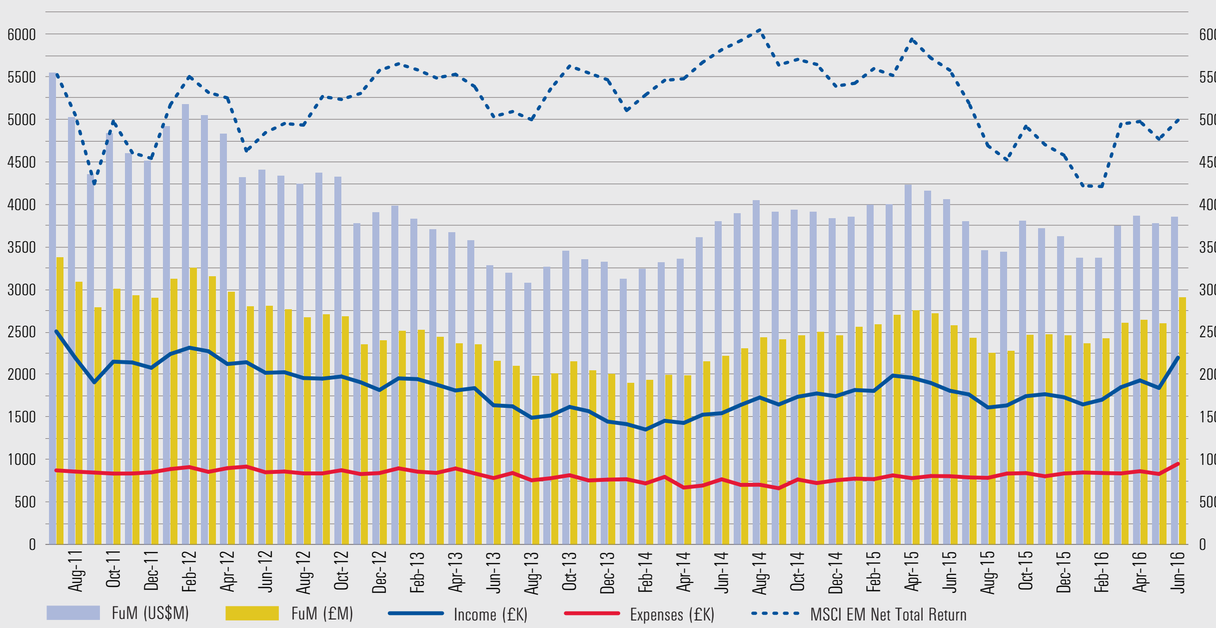
The principal risk that the Group faces is the potential for loss of funds under management as a result of poor investment performance, client redemptions or market volatility. The Group seeks to attract and retain clients through consistent outperformance supplemented by first class client servicing, and the Directors have implemented a diversification strategy, as described in the Business Development review on pages 20 to 21 and which should further mitigate these risks. In addition to the above key business risk and the key risks on page 22, there are a number of less significant financial risks as outlined in note 24 on pages 74 to 78.

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

Where possible, we take the opportunity to meet shareholders. This might be at one-to-one meetings with our larger institutional holders or at group meetings with advisers and individual shareholders. We believe that our shareholders have a right to know what to expect from us. For this reason, we try to make all of our announcements 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).

Rolling five year Funds under Management and Profitability

Excludes exceptional items of income and expenditure



OUR STRATEGY AND OBJECTIVES

(CONTINUED)

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

(continued)

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:

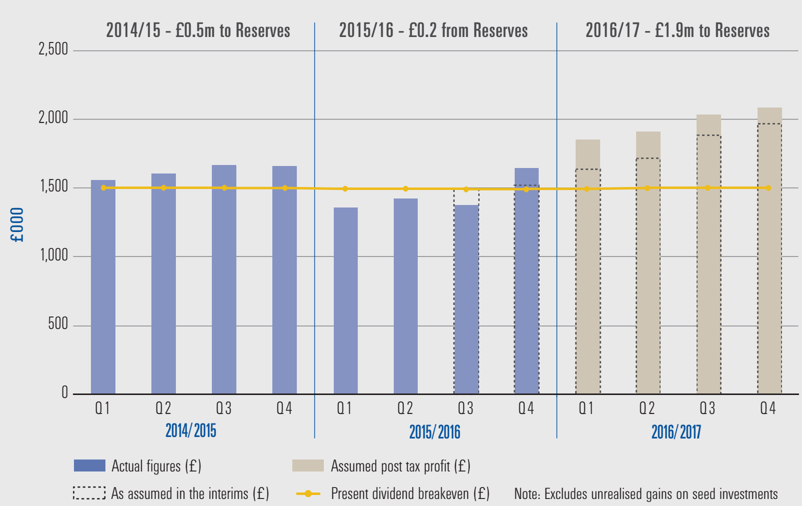
- Starting point Current FuM (June 2016).
- Net increase in 2016/2017: emerging market CEF strategy US$250m, straight-lined to June 2017.
- Net increase in 2016/2017: non-emerging market CEF strategies US$250m, straight-lined to June 2017.
- Operating margin adjusted monthly for change in product mix and commission run-off.
- Market growth: 0%.
- Corporation tax based on an estimated average rate of 26% for 2016/2017.
- Increase in overhead: 5%.
- Exchange rate assumed to be £1/US$1.35 for entire period.
- Number of CLIG Shares in issue (26.9m) less those held by the ESOP Trust (1.9m) as at 30th June 2016.
- Profit-share at 30% plus associated taxes.

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 risen from US$4.0 billion at the point of putting together this Template, to US$4.4 billion at the time of writing. Whilst as a firm we are used to this level of volatility, this has been largely market-related and caused by increases in market values where clients are exposed rather than client subscriptions. As shareholders would expect we will ensure that expenses are controlled in this improved environment.

Dividend cover

Actual and assumed over three financial years



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

(continued)

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

Dividend policy

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

- This is not a long term policy. Rather it will be reviewed after five years and every five years thereafter.
- This policy specifically takes 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.

6. Corporate citizenship

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

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

What are the targeted involvements within the community? We take a multi-pronged approach to allocating our human resources across the communities, as we 1) attempt to understand the greater needs of the communities we work in and 2) champion initiatives that are personal causes to individual employees. This means we can, and do, support both local events of national and global charities, as well as local community specific events. Additionally, by the nature of our five office structure, this means that we are able to offer a wide array of community involvement events to staff, and we have found that a greater variety allows for greater participation throughout the year. In turn, this can also provide for meaningful results as some events will be chosen on a personal level and will have a greater impact for specific employees and their families. These efforts and services work hand in hand to protect cultures and customs not only within the community outreach programs but also within the workplace. Further details on community contributions are referenced within the Corporate and Social Responsibility Policy on page 28 of these accounts.

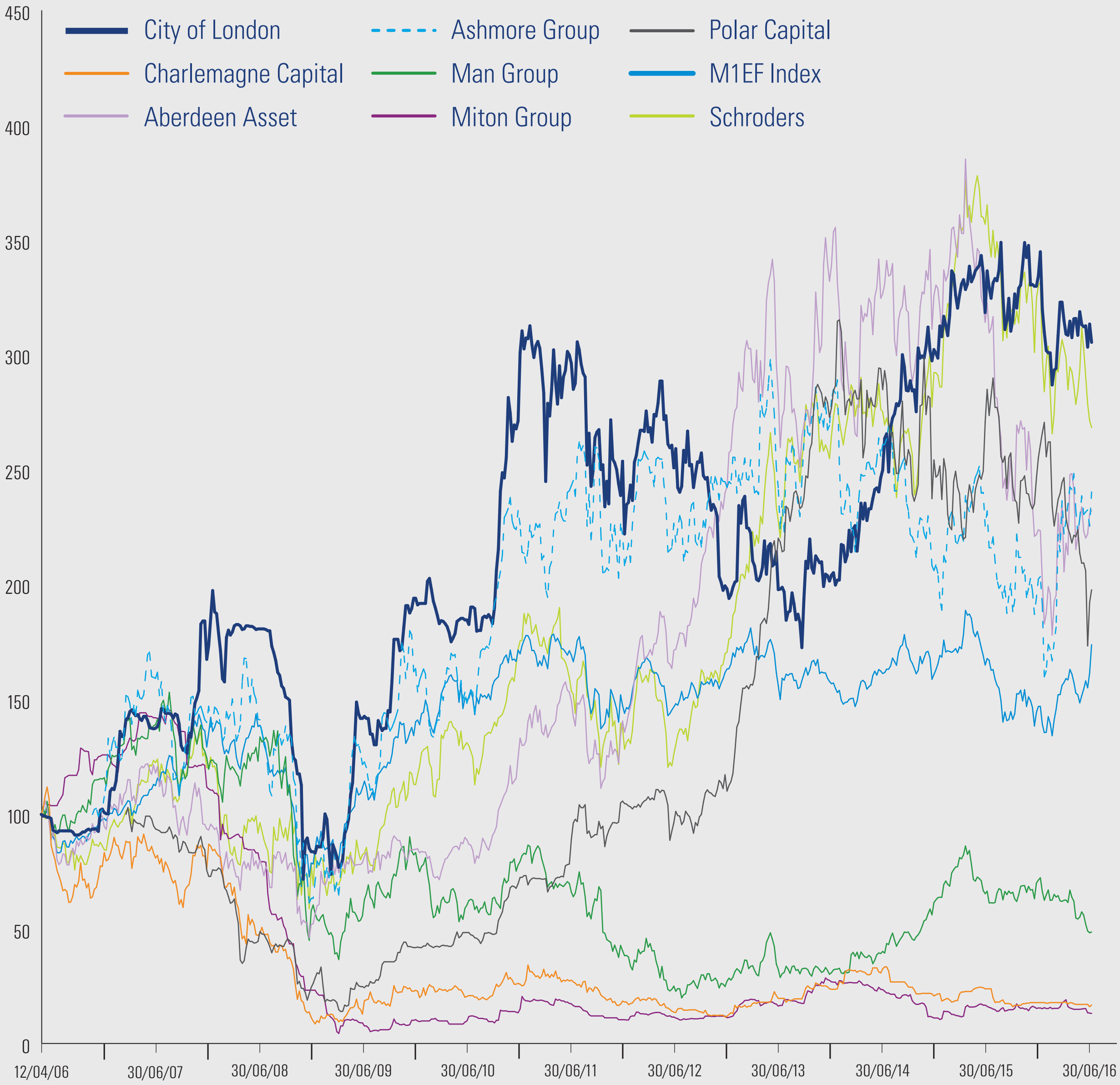
7. How should we be measured on an ongoing basis?

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

We can talk about investment performance, long-term clients, stability of staff, levels of the stock market, 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)



BUSINESS DEVELOPMENT REVIEW

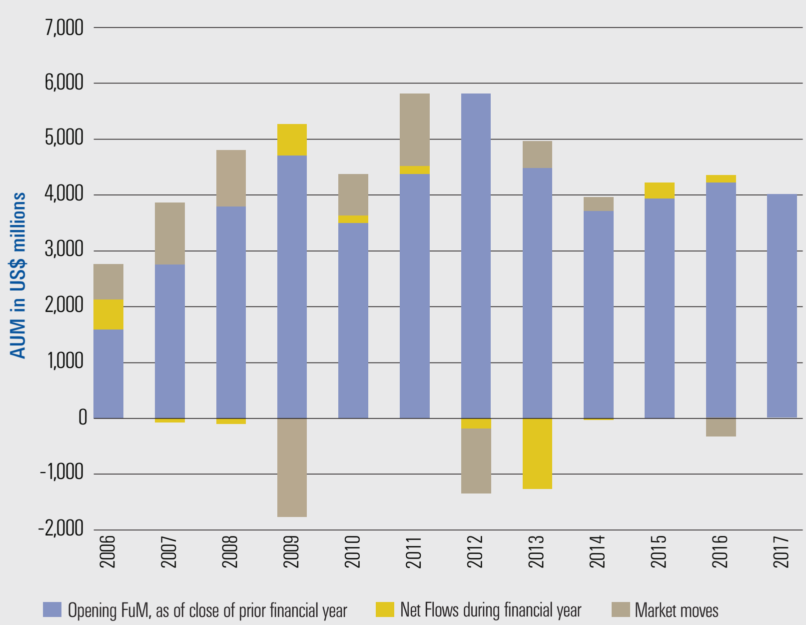
Overview

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.

There were new inflows of US$374 million in our core emerging market strategies, which were countered by outflows of US$259 million, leading to net inflows of US$115 million as investors were attracted by the significant value that has continued to be reflected in the relatively large size-weighted average discount (SWAD) of c14-15% across client portfolios, as well as the increasing attractiveness of emerging markets overall.

Fundraising in the diversification products resulted in inflows of US$102 million and outflows of US$92 million. Diversification products continued to increase as a percentage of Group Assets Under Management (AUM) at 9.1%, compared with 8.5% last year. These additional assets will assist in efforts to raise the profile of our extension CEF products with institutional consultants and plan sponsors.

Total in flows – out flows



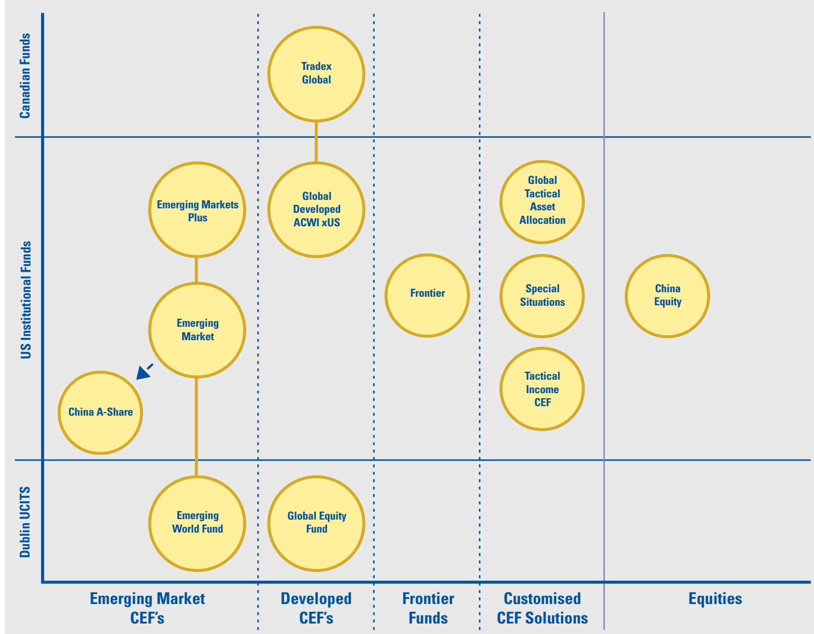
Products

Our diversification products attracted additional AUM even as some investors in the Global Tactical Asset Allocation CEF Strategy took some initial funding and profits off the table. The Global Tactical Asset Allocation Strategy encompasses a variety of asset classes via closed-end funds, which is desirable to asset allocators and other investors looking for exposure to a specific market. This strategy adopts a "go-anywhere" approach and is managed as part of the Developed closed-end fund strategy team. While this is a separate team from that managing client assets in the emerging markets, both teams use the same methodology and internal resources. Both taxable and tax-exempt products are available.

Continued strong performance led to additional funding in the Frontier Emerging Markets CEF Strategy, which is an extension of the Emerging Markets core equity product focusing on the smallest (pre-emerging) markets with high growth potential.

Business diversification

Products map



Performance

Global composite investment returns for the Emerging Market closed-end fund strategy for the rolling one year ending June 30, 2016 were -9.64% vs. -12.05% for the MSCI Emerging Markets Index in USD and 6.30% vs. 3.46% for the benchmark in GBP.

Global composite investment returns for the Developed Market closed-end fund strategy for the rolling one year ending June 30, 2016 were -11.34% vs. -10.25% for the MSCI ACWI ex US in USD and 4.30% vs. 5.59% for the benchmark in GBP.

Composite investment returns for the Frontier Emerging Market closed-end fund strategy for the rolling one year ending June 30, 2016 were -8.78% vs. -12.05% for the S&P Frontier EM 150 benchmark in USD and 7.31% vs. 3.47% for the benchmark in GBP.

Outlook

Marketing efforts will be targeted at investment consultants, foundations, endowments and pension funds. We will also continue to introduce our capabilities to family offices, outsourced CIO firms and alternative consultants. With the addition of our Seattle office in 2015, we now have dedicated resources on both the east and west coast to drive marketing efforts in the US. Our Developed, Global Tactical Asset Allocation, and Frontier Emerging Market capability will continue to be a focus of our product diversification and business development activities.

Operational Support

Over the past year we have opportunistically placed additional resources in the Operations group which we view as the engine room for creating additional technology related efficiencies. These resources enhance our ability to leverage both vendor and internally developed applications, manage data, deliver information and communicate globally while maintaining a low risk profile and keeping overhead costs down. Our infrastructure is robust to provide significant economies of scale that allows product diversification, an increase in the number of accounts, a significant increase in trading volume and a new office to be added at minimal cost and without adding additional staff.

KEY PERFORMANCE INDICATORS AND KEY RISKS

The key performance indicators on this page 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 16 and are covered in more detail within Our Strategy and Objectives, Business Development review and Financial review.

KEY PERFORMANCE INDICATORS

- **Funds under Management (FuM)** – This is the total value of assets managed for clients and the main determinant of the Group's income.
- **Investment performance** – This is the record of investment returns generated for clients relative to benchmark indices.
- **Operating margin** – This is the weighted average net fee rate, after commissions and custody charges, earned by the Group (currently 86 basis points).
- **Expenditure** – These are the costs related to running the Group.
- **Dividend cover** – This is the ratio of net profit 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 MSCI 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 23 for details. This will vary based upon client retention, funds under management, and exchange rates.

4. Expenditure

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

5. Dividend cover

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

FINANCIAL REVIEW

Marketing commission run-off (based on FuM at 30th June 2016)

Financial year	£m (@ $1.33/£1)
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

Consolidated income statement and statement of comprehensive income

The average Funds under Management (FuM) for the year was US$3.8 billion compared with US$4.1 billion in 2014/2015 (based on the month end values), a fall of approximately 7%, due to negative market movements offset in part by net inflows during the financial year. Group turnover comprises management fees charged as a percentage of FuM and as a result is also down year on year but by less than 4% to £24.4 million (2015: £25.4 million) bolstered by sterling weakening against the US dollar, especially in the latter part of the year.

As expected, commissions payable are down from 9% of gross fees last year to 6% this year. These commissions relate to fees due to third party marketing agents for the introduction of clients. The contract to which all but a small proportion of these commissions relate expired in October 2010. Under the agreement, commission is based on a period of ten years from the date of the client's initial investment. As a guide, the table presented illustrates the rate of the commission run-off relating to the expired contract, based upon FuM and market levels at the year end.

The Group's net fee income, after custody charges of £0.7 million (2015: £0.7 million), is £22.2 million (2015: £22.3 million). As a percentage of FuM, net fee income is currently around 86 basis points and has been between 85-86bp for the last two years.

Administrative expenses have increased approximately 6% from £13.6 million to £14.4 million. The largest component of this is staff costs of £10.6 million (2015: £10.4 million), a slight year on year rise attributable to a weaker pound, as the increase in higher wage costs was offset by a lower profit-share payment for the year, charged at 30% (2015: 30%) of pre-bonus operating profit, reflecting the reduction in Group profits.

Interest receivable and similar gains of £0.2 million includes bank interest on deposits, but primarily relates to the increase in fair value of the funds in which the Group has a controlling interest.

The net of the above results in a pre-tax profit of £8.0 million (2015: £8.9 million). Corporation tax this year amounts to £2.1 million, an effective rate of 27% compared to 26% last period (2015: £2.3 million) as a result of an increase in the sterling equivalent of the Group's US corporation tax provision.

Consolidated statement of financial position and statement of changes in equity

Cash remains the major part of net assets at £10.2 million representing 72% (2015: £10.2 million, 72%). There were no significant movements in the other principal components of net assets namely: other financial assets of £2.2 million (2015: £2.1 million) which are essentially the Group's seed investments at fair value and the excess of trade and other receivables over trade and other payables £1.9 million (2015: £1.9 million).

Non-current assets comprise property and equipment of £0.4 million (2015: £0.4 million), capitalised software licences of £0.2 million (2015: £0.2 million), and the deferred tax asset of £0.1 million (2015: £0.4 million). The latter is an estimate of the future corporation tax savings to be derived from the exercise of share options in issue at the financial year end.

The major changes in equity attributable to shareholders this year is profit of £5.9 million (2015: £6.6 million) and the dividends paid during the year of £6.0 million (2015: £6.0 million). The dividend comprised the 16p final dividend for 2014/15 plus the 8p interim dividend for the current year. The Group's dividend policy is set out on page 17.

FINANCIAL REVIEW

(CONTINUED)

Halfway through the year, the Group took the opportunity to use some of its surplus cash to fund the buyback and cancellation of 115,000 Company shares at a weighted average price of £3.26. Directors and employees exercised 99,436 dilutive options and 55,700 ESOP held options, raising £0.5 million. There are no further dilutive options outstanding.

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

Currency exposure

As a result of the UK's referendum vote to leave the European Union on 23rd June 2016, sterling fell to a 30 year low against the US dollar. Given the Group's revenue is almost entirely US dollar based whereas c40% of its costs are incurred in sterling, a weak pound has a very positive influence on reported earnings, as illustrated in the FX table presented in the Chairman's statement.

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

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 the foreign exchange impact the Group monitors its net currency position and offsets it by forward sales of US dollars for sterling. At 30th June 2016 these forward sales totalled US$4.3 million, with a weighted average exchange rate of US$1.45 to £1 (2015: US$5.3 million at a weighted average rate of US$1.57 to £1).

Viability statement

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the viability of the Group, taking into account the Group's current position and prospects, Internal Capital Adequacy Assessment Process ("ICAAP") and principal risks, as detailed in this strategic report (page 22).

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

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

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

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

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

Group policies are focused on five key areas:

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

1. Workplace

2016	Female	Male
Directors	1	7
Senior managers	1	4
Middle management	7	8
All other employees	18	29

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

As noted above, we believe that people should be appointed to their roles based on skills, merit and performance. We recognise that diversity adds value, but do not consider setting targets as appropriate in this regard.

Following the changes at Board level this year the gender ratio is now 13% female to 87% male (2015: 100% male). Of our 71 employees, 38% are female (2015: 34%), including 20% of senior management (2015: 25%), and 47% of middle management (2015: 40%).

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.

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

(CONTINUED)

1. Workplace

(continued)

This year we have sponsored employees for their IAQ, IOC, CFA & IMC studies, as well as contributing towards an employee's Master's Degree. This is in addition to the usual seminars and conferences our employees attend. Anti-money laundering and Code of Ethics training is provided annually to all staff. Employees also take responsibility for their development via our annual appraisal process, where they are able to discuss further training where they feel it is necessary.

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

Internal training is available to all employees on the products we offer. Our induction programme for new employees takes place over a period of weeks and is an ongoing process to ensure new employees settle well into the organisation and are confident carrying out the full scope of their duties.

2. Environment

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

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

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

Mandatory carbon reporting

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

2. Environment
(continued)

Total CO_2e emissions

	2015/16		2014/15	
	Tonnes of CO_2e	Intensity ratio	Tonnes of CO_2e	Intensity ratio
Scope 1	–	–	–	–
Scope 2	**165.3**	**2.30**	162.1	2.32
Purchased electricity	*165.3*		*162.1*	
Scope 3	**386.4**	**5.37**	344.1	4.92
Business air travel	*373.7*		*331.0*	
Electricity transmission and distribution losses	*12.7*		*13.1*	
Total	**551.7**	**7.67**	506.2	7.24

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.

Lighting project – US

In the winter of 2015, our US East Coast office initiated a project to convert all of its existing light bulbs to LED's. The benefits for this project are:

- Reduced energy emissions which lead to reduced energy costs.
- Reduced waste in the future as the LED bulbs have a longer life-span.
- Improved efficiency with the new technology.

3. Ethics

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

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

(CONTINUED)

4. Community

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

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

2015/2016 Highlights include:

- Food Bank volunteer activities to support the underprivileged and those in crisis in the local community (US & UK).
- Singapore Community Chest to contribute to various charities (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, Hearing Loss Association of America (US) and British Heart Foundation (UK).
- Salvation Army gift giving and donations (US).
- Ramadan Community Campaigns to support refugees (Dubai).
- 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

CLIG is committed to responsible investment and effective stewardship as a means of achieving our overarching objective, which is to provide superior long term investment performance to our clients. In 2015 CLIG launched a significant initiative to promote environmental, social and governance (ESG) awareness in emerging market investment trusts and closed-end funds (CEFs). We firmly believe that businesses which adopt best practice in their ESG policies will ultimately earn superior returns. We therefore promote responsible investment in CEFs both directly to managers and via their boards.

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

CLIG is a signatory to both the UN-supported Principles for Responsible Investment (PRI) and to the UK Stewardship Code. As part of this commitment to responsible investment, CLIG is required to seek appropriate disclosure on ESG issues by the closed-end funds in which we invest. Most managers, as signatories themselves to the PRI and UK Stewardship Code, should have a clear understanding of this commitment, as we challenge them 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
8th September 2016

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 holds an MBA from INSEAD.

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

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

T. W. Griffith CHIEF OPERATING OFFICER

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

M. D. Dwyer CHIEF INVESTMENT OFFICER EM CEF GROUP (APPOINTED 19.10.15)

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 is now CIO of the EM CEF Group and is based in London. He holds a BA in economics and is a CFA Charterholder.

T. A. Rodrigues FINANCE DIRECTOR (APPOINTED 19.10.15)

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

Dr. A. S. Bufferd SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Allan Bufferd is Treasurer Emeritus of the 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, as President of the MIT Investment Management Company supervised the formulation and implementation of investment policy for US$12 billion of endowment and retirement fund assets. He is a director of Och-Ziff Capital Management Group LLC, (NYSE). In addition, he serves as a director of several private companies and investment funds covering diverse asset classes. He is also director/trustee of several Non-Profit Organisations, primarily focussed around healthcare.

B. A. Aling INDEPENDENT NON-EXECUTIVE DIRECTOR

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

M. J. Driver INDEPENDENT NON-EXECUTIVE DIRECTOR (APPOINTED 01.07.16)

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

C. M. Yuste BUSINESS DEVELOPMENT DIRECTOR (RESIGNED 31.12.15)

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.

R. A. Dartnell NON EXECUTIVE DIRECTOR (RESIGNED 30.06.16)

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.

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 46 accounts (2015: 36 accounts) with a total of £3,016 million (2015: £2,681 million) under management as at 30th June 2016. 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 2016 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 2016, together with details of amounts transferred to reserves, are set out on pages 54, 56 and 57.

The Company has paid dividends of £5,981,721 during the period (2015: £5,959,827). The final dividend for the year to 30th June 2016 of 16p per share (2015: 16p) has been proposed, payable on 31st October 2016, subject to shareholder approval, to shareholders who are on the register of members on 14th October 2016.

Annual General Meeting

The Company's AGM will be held at 11.30am on Monday, 17th October 2016 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 2,691,227 of its own ordinary shares of nominal value £0.01. In the year under review the Company purchased and cancelled 115,000 shares (2015: 101,500). 95,000 shares were purchased at £3.25 and 20,000 were purchased at £3.30. The Company is seeking a renewal of this authority at the 2016 AGM.

The number of own shares purchased by the Company's employee benefit trust during the year was nil (2015: 300,000 at a cost of £1.0 million). The number of own shares held by the trust as at 30th June 2016 was 1,852,213 (2015: 2,032,118), of which, 1,566,620 shares (2015: 1,959,235) 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 2016, the Company had been notified of the following interests of 3% or more in the Company's ordinary shares:

Interested party	Percentage of issued shares
B M Olliff	10.3
BlackRock Investment Management	9.2
The City of London Employee Share Option Trust	6.9
Hargreave Hale	4.9
Polar Capital	3.3
Slater Investments	3.0

Corporate governance

The UK Corporate Governance Code is publicly available on the Financial Reporting Council's website. A report on the Group's corporate governance and compliance with the provisions of the UK Corporate Governance Code, is set out on pages 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
8th September 2016

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;
- Four executive Directors (the Chief Executive, Chief Operating Officer, Finance Director and Chief Investment Officer EM CEF Group); 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 and 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. However, cognisant of the UK Corporate Governance Code, in order to further align the interests of executive Directors and shareholders as well as to try and satisfy the significant level of importance clients attach to employee share ownership, the Remuneration Committee are proposing a new share incentive scheme for shareholder approval at this year's Annual General Meeting. Details of the scheme can be found in the Directors' Remuneration Report.

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 2016 there were no dilutive awards outstanding (2015: <1% of issued share capital).

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 2016 the EBT holding comprises 6.9% of issued share capital (2015: 7.6%).
The components of which are:

	Number of shares	Percentage of issued shares
Vested	873,295	3.2%
Unvested	693,325	2.6%
Available for awards	285,593	1.1%
	1,852,213	6.9%

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

The Board
Currently, the Board is composed of eight members, consisting of the non-executive Chairman, the executive Directors (four 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 therefore complies with the Code.

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 2015 and 30th June 2016	6	2	4	3
Attendance:				
David Cardale – Chairman	5	–	–	–
Barry Aling – non-executive	6	2	4	3
Allan Bufferd – non-executive	6	2	4	3
Rian Dartnell – non-executive (resigned 30th June 2016)*	6	2	4	3
Tom Griffith – executive	4	–	–	–
Barry Olliff – executive	6	–	–	–
Carlos Yuste – executive (resigned 31st December 2015)*	3	–	–	–
Mark Dwyer – executive (appointed to the Board 19th October 2015)*	4	–	–	–
Tracy Rodrigues – executive (appointed to the Board 19th October 2015)*	4	–	–	–

*Attended all pre-scheduled meetings in the year while Director.

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

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

Internal control

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

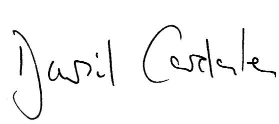
The Board has established a Risk & Compliance Committee which consists of the four executive Directors and the Head of Compliance. The Committee meets monthly to provide the members with a regular forum at which to ensure any relevant issues are discussed and agreed upon. The Committee oversees the maintenance 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 26,896,707 (2015: 26,912,271) £0.01 ordinary shares carrying one vote per share and a right to dividends.



David Cardale
Chairman
8th September 2016

NOMINATION COMMITTEE REPORT

It is my pleasure to discuss the Nominations Committee and its activities over the past year. This is occasioned by the resignation of Rian Dartnell, former chair of the Committee and a non-executive Director who, due to the pressure of new business activities, was unable to continue as a member of our Board. We wish him the best in his new endeavour and will miss his wise counsel at the Board and his leadership of the Nomination Committee.

At the last Annual General Meeting, Tracy Rodrigues and Mark Dwyer, executive Directors were voted as new members of the Board. This past year, under Rian Dartnell's continued leadership, we added Mark Driver as a new non-executive Director of the Board and also to membership on this Committee. The year was characterised by stability and ongoing monitoring by your Nominations Committee. Mark Driver brings extensive management and board experience to the firm. With the addition of Mark Driver as a non-executive member of the Board, the three standing committees: Audit, Nomination, and Remuneration were structured, effective 1st July 2016, as follows:

Audit Committee

Barry Aling, *Chair*
Allan Bufferd
Mark Driver

Nomination Committee

Allan Bufferd, *Chair*
Barry Aling
Mark Driver

Remuneration Committee

Mark Driver, *Chair*
Barry Aling
Allan Bufferd *(Previous Chair)*

The strength of our non-executive Directors provides the basis for appropriate reassignment of responsibilities among them, and in providing important leadership and governance of the Company.

Terms of reference

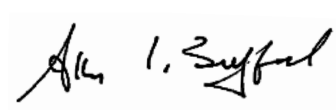
The Nomination Committee has defined terms of reference which are published on the Company's website and assists the Board in discharging its responsibilities relating to the composition and make-up of the Board. The Nomination Committee is responsible for making recommendations on the appointment of 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 with objective criteria; care is taken to ascertain that appointees have sufficient time available to devote to their position and responsibilities.

Membership

As previously noted, the Company's Nomination Committee was chaired by Rian Dartnell. It will be chaired by Allan Bufferd and will continue to include two other independent non-executive Directors, Barry Aling and Mark Driver. 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 2016 the Committee met on two occasions, and composition of the Board, its Committees and further discussions regarding potential new appointments were discussed.



Allan Bufferd
Chairman of the Nominations Committee
8th September 2016

AUDIT COMMITTEE REPORT

Terms of reference

The Audit Committee's terms of reference include monitoring and evaluation of the Group's financial statements and related communications to shareholders in order to ensure that they provide a detailed, balanced and accurate view of the Group's financial performance and condition. Within this remit the Committee has responsibility for oversight of the internal procedures in place to measure and control risk, paying particular attention to the detection of fraud, bribery and money-laundering risks and ensuring that appropriate whistle-blowing protocols are in place and communicated to all employees so that they may raise, in confidence, any issues of impropriety, in order that remedial action can be taken.
In evaluating the Group's financial statements, the Committee assesses the liquidity position to ensure that adequate capital resources are available to meet its obligations. Separately, the Audit Committee reviews the effectiveness and independence of the external audit process, including the terms of appointment and remuneration of the Group's auditors.

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 Mark Driver, who was appointed on 1st July 2016. 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 six years while Mr. Driver is serving his first year.

Meetings and activities

The Audit Committee meets at least three times annually and four meetings were held in the fiscal year to 30th June 2016, all of which were also attended by the Group's Finance Director, Tracy Rodrigues. Members' attendance at these meetings is included in the schedule of attendance on page 36 of this report.

The first meeting, held in July 2015, was held to review tenders for the appointment of external auditors, following Moore Stephens' LLP (MS) retention of this post for a 10-year period. Having received tenders from three new audit companies, as well as MS, the Committee judged the MS proposal to be the most competitive tender and recommended their re-appointment by shareholders at the October 2015 Annual General Meeting. At the second meeting, held in September 2015, the Committee was presented with the audit review report by MS following the completion of their audit and received confirmation that, having identified no control weaknesses, additional risks or items of a material nature, they would be issuing a "clean" audit report. MS were also able to confirm their independence as auditors with no conflicts of interest. 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 third meeting, held in February 2016, dealt with the Group's interim report to shareholders, including the accompanying Independent Review Report compiled by MS as well as a review of the Audit Committee's Terms of Reference, to which no amendments were made. In assessing the breach register, it was noted that the incidence of breaches remained low and contained no items of a material nature. The fourth and final meeting meeting, held in June 2016, was concerned principally with the external audit plan and attendant requirements for the Annual Report to shareholders for the year to 30th June 2016. Particular emphasis was given to the changes arising from the revised UK Corporate Governance Code, specifically noting a new requirement this year for a "Viability Statement", which is contained on page 24 of this Annual Report.

Financial statements and accounting matters

In accordance with the UK Corporate Governance Code 2014, the Audit Committee reviews all financial statements prior to their discussion and approval by the Board and in light of their conformity with the appropriate accounting standards. The Audit Committee has received reports from management and MS, and discussed future accounting developments likely to affect the Group's results. These are detailed in Note 1 of the Financial Statements on page 59.

Also detailed in Note 1 are the accounting estimates and assumptions, the most significant being in relation to the calculation of the share-based payment charge. While the charge itself is not currently material, the Committee receives verification from MS through the audit process on the appropriateness of the accounting treatment in relation to its share option valuations. Further details regarding the assumptions used in the calculation of the share-based payment charge can be found in Note 22 of the accounts.

During the year the Committee was made aware of the US State tax liability and approved the engagement of specialist local US tax advisers to assist with the calculation and filing of the returns. They are satisfied with the provision in these financial statements given the information available at this time.

The Committee also consider the significant risks associated with the business and how they may impact the Group's results, as outlined under its risk management review. In particular, a breach of an investment mandate has the potential to lead to a financial loss for the Group. The Committee review the breaches and errors as a regular agenda item and are pleased to report that there were no unexplained deviations between restrictions included in the mandates and the Group's trade order system during the period under review. To further mitigate the risk of a future breach of mandate, the Group initiated a project to review all investment mandate restrictions to ensure, where possible, they are fully captured in the system.

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 misstatement. Costs are tightly controlled and relatively predictable with variances to forward budgets analysed and reported monthly. Since the Group has no debts and only immaterial levels of intangible assets, the scope for misstatement of the balance sheet is very limited and no significant variances have been identified by the Committee in recent years.

The Group maintains a risk register which is updated quarterly and reviewed on a constant basis by executive management in conjunction with the compliance and control team to identify any areas where there are perceived to be risk exposures. As an asset management business, the Group's financial performance is inevitably related to the quality of the investment team and their performance as managers. 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. The appointment of a new Head of Compliance, Ashleigh Simms, on 13th June 2016 offered a suitable opportunity for a bottom-up review of all compliance and control procedures and, while this process is ongoing, the Committee is pleased to report that no areas of concern have been identified as a result. 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 2016, 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 four 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, 2016.

Barry Aling
Chairman
8th September 2016

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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 2016 and which will be subject to an advisory shareholder vote at the 2016 Annual General Meeting (AGM); and
- the Directors' remuneration policy which will be subject to a binding shareholder vote at the 2016 AGM and every three years thereafter.

While we have discussed our remuneration policy in previous years, we think it important to restate its basic principles, especially since we will be proposing a significant new Long Term Incentive Plan for your approval at the forthcoming AGM. The new plan is discussed following the summary of our Directors' remuneration policy.

The remuneration and ESOP resolutions presented at last year's AGM were passed with an overwhelming majority. However, there were concerns expressed which we thought warranted further attention. The changes we made to our policy were 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 Employee Benefit Trust ("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 are summarised as follows:

- **Base salary**
  To pay a fair base salary, commensurate with the industry and the size of the business and the individual employee'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 AGM.

New Long Term Incentive Plan

The Remuneration Committee has, with the assistance of independent advisers to the Company, been reviewing the structure of the Company's long term incentive plans and remuneration policies. As a result of that review the Company wishes to implement a new Employee Incentive Plan ("EIP" or the "Plan"), to work in conjunction with the Company's current annual bonus arrangements.

The CEO, Barry Olliff, has noted in his statement in this report, the background to and objective of this new Plan to broaden the base of employee ownership. The Remuneration Committee believes the new EIP will provide an appropriate motivational framework and also will more closely align the interests of employees with the performance of the Company and the interests of shareholders and clients.

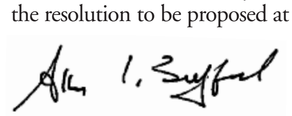
A summary of the principal features of the proposed EIP is set out in the Policy section of this report on page 47, and also on pages 83 and 84.

If the EIP is approved by shareholders, it is intended that the first awards under the EIP will be made in October 2017. The awards will be made as restricted share awards under which the beneficial interest in the Company's ordinary shares will be awarded to participants.

Participation will be offered to those who participate in the Company's annual bonus arrangements and therefore excludes non-executive Directors. Employees and executive Directors will be offered the chance to waive up to 20% of their annual cash bonus in return for share awards of two times the amount waived. Awards will vest over a three year period with one third vesting each year.

The Plan is linked to the Group's profitability, and for the first four years is capped at 5% of pre-bonus, pre-tax, operating profit to cover the charge of matching shares. Thereafter, the Plan will fall within the 30% limit of the profit-share pool.

The Directors consider that the implementation of the new EIP is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolution to be proposed at the Annual General Meeting.



Allan Butterd
Chairman of the Remuneration Committee
for the year to 30th June 2016
8th September 2016

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 2016 £
Non-executive					
D M Cardale	50,000	–	–	–	50,000
A S Bufferd	45,000	–	–	–	45,000
R A Dartnell*	40,000	–	–	–	40,000
B A Aling	40,000	–	–	–	40,000
	175,000	–	–	–	175,000
Executive					
B M Olliff	245,063	484,243	3,747	30,633	763,686
T W Griffith	191,207	282,070	3,747	23,901	500,925
C M Yuste**	88,173	–	1,970	11,022	101,165
M D Dwyer***	137,000	179,733	2,347	17,125	336,205
T A Rodrigues***	78,833	99,100	1,037	9,854	188,824
	740,276	1,045,146	12,848	92,535	1,890,805
Total	915,276	1,045,146	12,848	92,535	2,065,805

* Resigned 30th June 2016
** Resigned 31st December 2015
*** Appointed to the Board 19th October 2015

	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

Deferred profit share payments

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

	2016		2015	
	£	% of annual award	£	% of annual award
B M Olliff	22,159	5%	22,448	4%
T W Griffith	12,225	4%	13,196	5%
C M Yuste*	–	–	13,164	5%
M D Dwyer**	11,760	7%	–	–
T A Rodrigues**	7,465	8%	–	–

* Resigned 31st December 2015
** Appointed to the Board 19th October 2015

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 July 2015. The following fee structure is applicable for the year to 30th June 2016:

	£
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 2% salary increase as of 1st July 2015, as did most employees.

During the year, a number of employees were either promoted or took on additional responsibilities plus the decision was taken to uplift salaries considered to be out of line with industry average. Increases as of 1st January 2016 were therefore higher than normal with employees receiving anything from 2-14%, although the majority were less than 5%. Thomas Griffith received a 7% increase. Mark Dwyer and Tracy Rodrigues were appointed Directors as of 19th October 2015, and they received 7% and 10% 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 (2015: 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 2015	Exercised during the period	Granted during the period	Holding 2016	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	–	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	(12,500)	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	40,500	0	0	40,500						
Total	114,000	(12,500)	0	101,500						
M D Dwyer	50,000	–	–	50,000	3.6	3.6	180,000	3 yrs	03/05/2015	03/05/2022
Vested	50,000	0	0	50,000						
	15,500	–	–	15,500	2.55	2.5	38,750	3 yrs	30/01/2017	30/01/2024
	17,500	–	–	17,500	3.52	3.52	61,600	3 yrs	19/06/2018	19/06/2025
Unvested	33,000	0	0	33,000						
Total	83,000	0	0	83,000						
T A Rodrigues	4,000	–	–	4,000	2.61	2.61	10,440	3 yrs	30/01/2010	30/01/2017
	4,000	–	–	4,000	2.73	2.73	10,920	3 yrs	30/03/2010	30/03/2017
	4,000	–	–	4,000	2.3	2.3	9,200	3 yrs	05/06/2012	05/06/2019
	3,000	–	–	3,000	3.14	3.14	9,420	3 yrs	18/01/2013	18/01/2020
	3,000	–	–	3,000	3.625	3.625	10,875	3 yrs	13/10/2013	13/10/2020
	3,000	–	–	3,000	4.03	4.03	12,090	3 yrs	05/04/2014	05/04/2021
	4,000	–	–	4,000	3.4875	3.4875	13,950	3 yrs	04/11/2014	04/11/2021
Vested	25,000	0	0	25,000						
	13,500	–	–	13,500	2.55	2.5	33,750	3 yrs	30/01/2017	30/01/2024
	17,500	–	–	17,500	3.52	3.52	61,600	3 yrs	19/06/2018	19/06/2025
Unvested	31,000	0	0	31,000						
Total	56,000	0	0	56,000						

The closing market price of the Company's ordinary shares at 30th June 2016 was £2.97 (2015: £3.305) and the price moved during the year between a low of £2.85 to a high of £3.675 (2015: low £2.79 high £3.60).

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 2016	1p each 2015
B M Olliff	**2,775,186**	2,630,000
T W Griffith	**262,425**	249,925
B A Aling (non-executive)	**94,300**	94,300
T A Rodrigues	**75,750**	*N/A
D M Cardale (Chairman) (non-executive)	**53,125**	53,125
A S Bufferd (non-executive)	**30,000**	30,000
M D Dwyer	**25,000**	*N/A
R A Dartnell (non-executive)	**20,000**	20,000

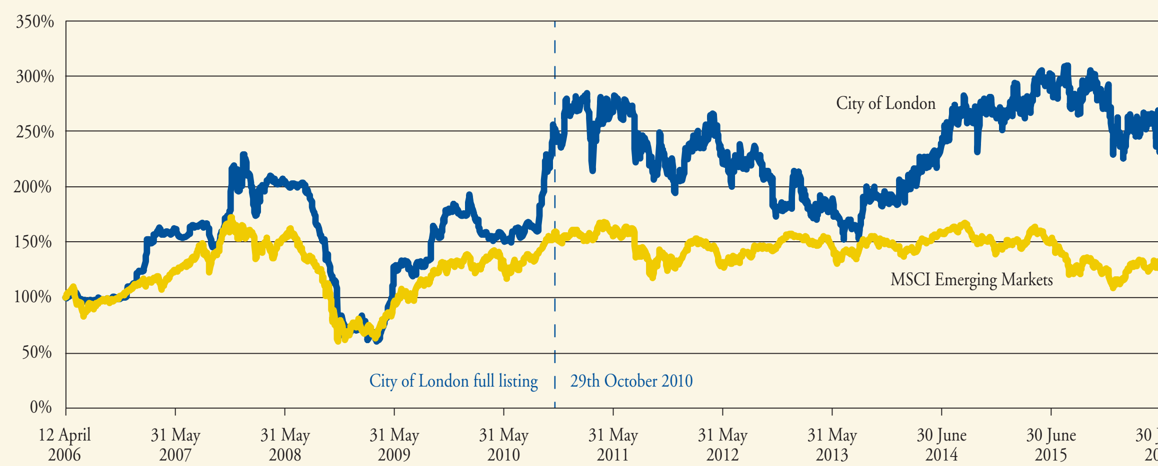
* Shareholdings not disclosed as appointment to Director was 19th October 2015.

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

Total shareholder return

The following graph illustrates the total shareholder return of a holding in the Company against an appropriate index. We have chosen the MSCI Emerging Markets T/R Index, the benchmark via which 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 2016 (GBP)



Source: *Bloomberg.*

Chief Executive Officer single figure

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

	Year to 31st May 2010 £	Year to 31st May 2011 £	Year to 31st May 2012 £	Year to 31st May 2013[1] £	13 months to 30th June 2014 £	Year to 30th June 2015 £	Year to 30th June 2016 £
CEO single figure remuneration	1,152,351	1,210,763	1,012,801	580,922	693,550	805,430	**763,686**
Annual bonus (as a % of current cap) [2]	120%	100%	92%	51%	84%	85%	**84%**
LTIP – % of maximum opportunity	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**

Notes:

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

(2) 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 had not historically set a maximum annual bonus opportunity so the actual annual bonus award shown in previous accounts was relative to the highest actual award over the financial years disclosed. Last year the Directors' Remuneration Policy was amended to include a cap on bonuses paid to Directors and the CEO's cap was set at 5% of pre-bonus, pre-tax operating profit. Therefore, for comparison purposes the prior years' annual bonuses are shown as a percentage of 5% of pre-bonus, pre-tax operating profit each year.

Percentage change in the remuneration of the CEO and employees

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

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

Comparison of percentage change in value from 2015 to 2016	CEO	Group employees
Salary	7%	5%
Health Insurance	10%	3%
Annual bonus awards	-11%	-13%

Note:

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

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 the offices of the Group located in different countries and further the comparisons include the varying effects of currency exchange rates from one geographic location to another in conversion to sterling for the two comparative periods.

As an example, Barry Olliff has not taken a salary increase for over 10 years, therefore the 7% movement shown in the table above represents the increased cost to the Company due to the movement in the US dollar / sterling rate, and not an increase to his remuneration.

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.

	2016 £	2015 £	% change
Total employee spend	**10,606,490**	10,418,571	2%
Average headcount	**72**	70	3%
Profit after tax	**5,791,354**	6,577,845	-12%
Dividends relating to the period *	**6,003,823**	5,970,056	1%

* The current period includes an estimate of the final dividend based on the number of qualifying shares as at 30th June 2016

A breakdown of the employee spend can be found in note 5 to the financial statements on page 64.

The difference in the cost of the dividend relates solely to the number of shares eligible to receive dividends. The dividend per share was unchanged from year to year at 24p per share.

Remuneration Committee

During the period under review, the members of the Remuneration Committee were Allan Bufferd (Chairman of the Committee), Rian Dartnell and Barry Aling. Rian Dartnell resigned as of 30th June 2016, and Mark Driver joined the Committee upon his appointment to the Board on 1st July 2016. He has subsequently taken over as Chairman of the Committee from Allan Bufferd. The Remuneration Committee meets formally at least four times a year and otherwise as required. During the year to 30th June 2016 the scheduled Committee meetings were principally to review and approve the quarterly assessment of the profit share pool, and allocations therefrom to executive Directors and senior employees, and the semi-annual salary review including both the overall level of awards and individual awards to executive Directors and senior employees. Details of attendance by members are set out on page 36.

Furthermore the Committee met on several other occasions throughout the year to consider the structure of a new share incentive scheme, which is detailed in the Remuneration Policy that follows.

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 2015 received the following votes.

	Policy		Annual report	
	Number of votes	Percentage of votes cast	Number of votes	Percentage of votes cast
For*	10,245,080	81.6%	11,568,229	92.0%
Against	2,314,403	18.4%	1,005,254	8.0%
Total votes cast	12,559,483		12,573,483	
Votes withheld	50,977		36,977	

*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 at the October 2015 AGM and 82% of the votes were in favour. The Remuneration Committee has, with the assistance of independent advisers to the Company, reviewed the structure of the Company's remuneration arrangements. As a result of that review a new Employee Incentive Plan (EIP) has been introduced for adoption at this year's AGM. The main features of the EIP are shown on the following page and a summary of the principal terms can be found on pages 83 and 84. If approved, it is expected that the first awards will be granted in October 2017.

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

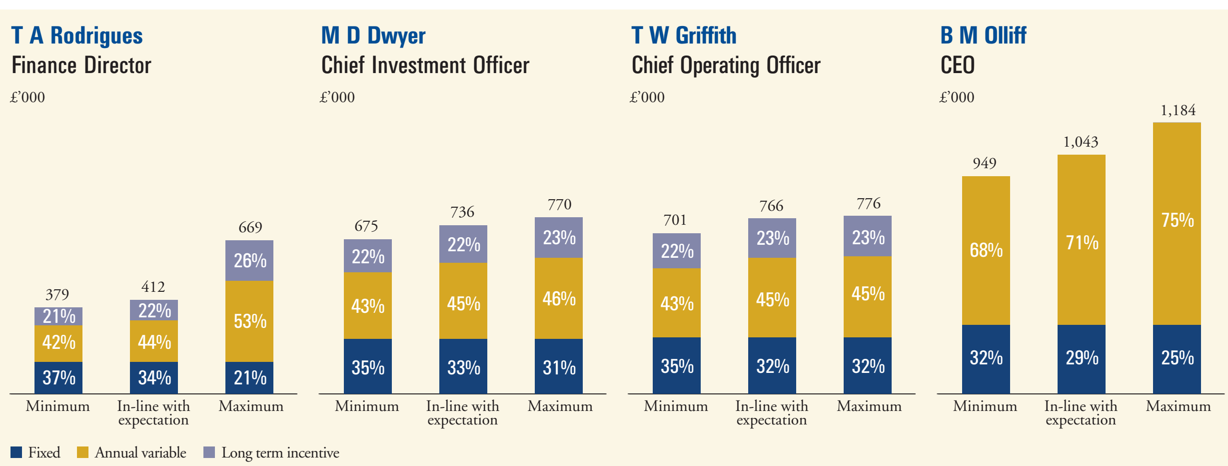
Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS				
Base salary (fixed pay)				
To pay a fair base salary, commensurate with the size of the business and the individual's role and experience.	Revised semi-annually, with changes, if any, generally effective 1st January and 1st July. The Committee considers salaries in the context of an overall package with regard to market data, Group performance and individual experience and performance.	The semi-annual pay review does not guarantee an increase. The Committee considers it important to keep fixed costs under tight control and as such salaries are at the lower end of what may be described as market average. There is no set maximum salary, however, the Committee is guided by market data/practice when setting pay awards.	Not applicable.	Not applicable.

Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS continued				
Pension (fixed pay)				
To provide defined contribution pension arrangements to assist with recruitment and retention.	Employer contributions are made to defined contribution pension arrangements or equivalent cash allowances are paid, subject to local practice in the relevant country.	The maximum defined pension contribution or cash equivalent is 12.5% per annum of base salary.	Not applicable.	Not applicable.
Other benefits (fixed pay)				
To provide market competitive fringe benefits.	Currently benefits offered include: life insurance, medical insurance (or a contribution towards the cost), disability insurance, paid holiday/sabbatical and travel season ticket loans. Additional benefits may be provided if required, for example to support international relocation.	These benefits represent a small element of the overall remuneration package and as such are not subject to a specific cap. Directors are entitled to 30 days paid holiday, in addition to public holidays. Mr Olliff is also entitled to an annual sabbatical of up to six weeks, with pay and benefits.	Not applicable.	Benefits are provided up to termination of employment and any outstanding travel season ticket loan is repayable in full.
Discretionary bonus (variable pay)				
To incentivise and reward Directors for their contribution to the corporate goals outlined in the strategic report.	The Company operates a bonus plan for all employees, including the executive Directors, that is linked to the Group's profitability, allocating a maximum of 30% of pre-bonus, pre-tax, operating profit for this purpose. Bonus awards are made by the Board following recommendations by the Remuneration Committee. Bonuses are paid quarterly in September (approximately 10% of the estimated annual bonus), December (20%), March (30%) and July (40%). A minimum of 10% of the July payment is deferred until September once the financial statements have been audited and approved.	The maximum payment to each Executive Director is capped at 2.5% of pre-bonus, pre-tax operating profit of the Group, except for Barry Olliff whose entitlement is capped at 5% of the pre-bonus, pre-tax operating profit, of the Group, provided, however, those profits exceed £500,000.	Bonuses are not subject to individual performance conditions and are paid in cash. Although this remuneration policy does not comply with the UK Corporate Governance Code, the Board believes that this bonus scheme has worked well in motivating staff at all levels within the Company and that this is demonstrated by the high employee retention rates experienced by the Group.	No profit share shall be payable for any year in which employment is terminated or at any time after the Director has given or received notice of termination. This relates to all executive Directors except Barry Olliff whose contract provides that he will be entitled to a proportion of the bonus to which he would have been entitled had he been employed for the whole year.
Clawback				
To ensure that bonus awards do not encourage excessive risk.	The Committee can seek to 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.
Employee Incentive Plan ("Plan")				
To encourage and reward loyalty, and to align the long term interests of Directors with that of shareholders and clients. The Plan is designed to work in line with the Group's current annual bonus policy.	The Plan is open to employees of all Group companies and Directors. Participants will initially be invited to waive up to 20% of their annual bonus in return for the right to participate in the Plan for the financial year. Under the Plan, they will be granted Restricted Share Awards (RSAs) over shares in the Company equal in value to 2 x the amount they have waived. The Plan is linked to the Group's profitability, and for the first four years is capped at 5% of pre-bonus, pre-tax, operating profit to cover the charge of matching shares. Thereafter, the Plan will fall within the 30% limit of the profit-share pool.	Depending on the level of participation, if there is headroom within the 5% of pre-bonus, pre-tax operating profit, employees and Directors will be offered the opportunity to increase their participation up to 30% of their annual bonus. Awards held until they vest will receive a dividend equivalent payment, equal to the amount that they would have received had they been entitled to dividends from the date of grant.	Not applicable.	The restricted share awards will vest 1/3 each year over a three year period. The RSAs are funded 50% by waived bonus and 50% by the Company. In the event of termination before the normal vesting date, the RSAs funded by the waived bonus, will be repaid at the lower of the value of those shares on the date of award and the date of forfeiture. The Company funded RSAs will be forfeited upon termination, except in the case of a good leaver (see ESOP section above), where there will be an entitlement to a pro-rated amount.

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 2018.



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.

The variable deferred shares relate to awards under the new EIP, where participation is voluntary. The above illustration is based on the Directors waiving 20% of their cash bonus to participate in the plan, except for Barry Olliff who is currently the major shareholder in the Company and due to retire in 2019.

It should be noted that Barry Olliff has always had a profit focused incentive and the terms of his employment agreement are that his participation in the firm's profits should be 5% on an annual basis. After discussion with the Remuneration Committee he voluntarily reduced this to 4.2% for the period ending 30th June 2016. It should also be noted that Mr. Olliff 's salary has not increased for over 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
Tracy Rodrigues	19th October 2015	One year	One year	One year's salary
Mark Dwyer	19th October 2015	One year	One year	One year's salary
Non-executive Directors				
David Cardale	6th April 2006	Six months	Six months	Six months fees
Allan Bufferd	24th June 2010	Six months	Six months	Six months fees
Barry Aling	1st August 2013	Six months	Six months	Six months fees
Mark Driver	1st July 2016	Six months	Six months	Six months fees

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 for the year to 30th June 2016
8th September 2016

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
8th September 2016

We have audited the financial statements of City of London Investment Group Plc ("the Group") for the year ended 30th June 2016 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.

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 30th June 2016 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; 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 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; reviewing and testing the control framework; and reviewing the results of the 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, which ensured that; 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 on 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 compliance with FCA laws and regulations in the UK and sought confirmation 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 and so an unqualified Client Asset Report will be filed with the FCA in accordance with SUP 3.10.4R of the FCA's handbook. Finally, confirmations received from local specialists provided sufficient 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 £380,000 which was determined by 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 agreed with the Audit Committee that we would report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £10,000 that have an impact on profit, in addition to other audit misstatements that we believe warrant 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 year 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 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

9th September 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2016

	Note	Year to 30th June 2016 £	Year to 30th June 2015 £
Revenue			
Gross fee income	4	24,412,826	25,356,009
Commissions payable		(1,514,707)	(2,274,745)
Custody fees payable		(735,200)	(737,513)
Net fee income		22,162,919	22,343,751
Administrative expenses			
Staff costs	5(b)	10,606,490	10,418,571
Other administrative expenses		3,631,993	3,027,637
Depreciation and amortisation		168,298	170,852
		(14,406,781)	(13,617,060)
Operating profit	7	7,756,138	8,726,691
Interest receivable and similar gains	8	212,595	204,979
Profit before taxation		7,968,733	8,931,670
Income tax expense	9	(2,115,404)	(2,318,004)
Profit for the period		5,853,329	6,613,666
Profit attributable to:			
Non-controlling interests		61,975	35,821
Equity shareholders of the parent		5,791,354	6,577,845
Basic earnings per share	10	23.3p	26.4p
Diluted earnings per share	10	23.1p	26.0p

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2016

	Group		Company	
	Year to 30th June 2016 £	Year to 30th June 2015 £	Year to 30th June 2016 £	Year to 30th June 2015 £
Profit for the period	5,853,329	6,613,666	9,395,022	5,446,205
Items which may be realised through the profit or loss:				
Fair value (losses)/gains on available-for-sale investments*	(542)	2,117	(869)	2,117
Release of fair value losses/(gains) on disposal of available-for-sale investments*	–	40	–	40
Foreign exchange gains/(losses) on non-monetary assets	83,058	50,988	–	–
Other comprehensive income/(loss)	82,516	53,145	(869)	2,157
Total comprehensive income for the period	5,935,845	6,666,811	9,394,153	5,448,362
Attributable to:				
Equity shareholders of the parent	5,873,870	6,630,990	9,394,153	5,448,362
Non-controlling interests	61,975	35,821	–	–

*Net of deferred tax, detailed in note 17.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

30TH JUNE 2016

		Group		Company	
	Note	30th June 2016 £	30th June 2015 £	30th June 2016 £	30th June 2015 £
Non-current assets					
Property and equipment	11	431,017	384,083	72,275	88,643
Intangible assets	12	201,801	196,343	–	–
Other financial assets	13	2,200,099	2,075,954	1,734,670	1,810,792
Deferred tax asset	14	86,106	395,354	19,101	34,674
		2,919,023	3,051,734	1,826,046	1,934,109
Current assets					
Trade and other receivables	15	5,044,107	4,509,184	5,597,427	1,935,076
Current tax receivable		–	–	306,547	317,095
Cash and cash equivalents		10,150,799	10,226,705	74,755	82,804
		15,194,906	14,735,889	5,978,729	2,334,975
Current liabilities					
Trade and other payables	16	(3,122,371)	(2,609,944)	(1,626,909)	(1,601,947)
Current tax payable		(732,795)	(814,638)	–	–
Creditors, amounts falling due within one year		(3,855,166)	(3,424,582)	(1,626,909)	(1,601,947)
Net current assets		11,339,740	11,311,307	4,351,820	733,028
Total assets less current liabilities		14,258,763	14,363,041	6,177,866	2,667,137
Non-current liabilities					
Deferred tax liability	17	(137,514)	(115,525)	(2,019)	(2,154)
Net assets		14,121,249	14,247,516	6,175,847	2,664,983
Capital and reserves					
Share capital	18	268,967	269,123	268,967	269,123
Share premium account		2,256,104	2,117,888	2,256,104	2,117,888
Investment in own shares		(5,298,916)	(5,692,430)	(5,298,916)	(5,692,430)
Fair value reserve		8,077	8,619	7,750	8,619
Share option reserve		563,350	807,106	563,350	620,541
Foreign exchange reserve		75,407	(7,651)	–	–
Capital redemption reserve		22,747	21,597	22,747	21,597
Retained earnings		15,593,570	16,127,877	8,355,845	5,319,645
Shareholders interest		13,489,306	13,652,129	6,175,847	2,664,983
Non-controlling interest		631,943	595,387	–	–
Total equity		14,121,249	14,247,516	6,175,847	2,664,983

The Board of Directors approve and authorise for issue these financial statements on 8th September 2016.

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 2016

	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 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
Profit for the period	–	–	–	–	–	–	–	5,791,354	5,791,354	61,975	5,853,329
Comprehensive income	–	–	–	(542)	83,058	–	–	–	82,516	–	82,516
Total comprehensive income	–	–	–	(542)	83,058	–	–	5,791,354	5,873,870	61,975	5,935,845
Transactions with owners											
Forex movement on NCI investment	–	–	–	–	–	–	–	–	–	(25,419)	(25,419)
Share option exercise	994	138,216	393,514	–	–	(74,059)	–	74,059	532,724	–	532,724
Share cancellation	(1,150)	–	–	–	–	–	1,150	(375,502)	(375,502)	–	(375,502)
Share-based payment	–	–	–	–	–	16,868	–	–	16,868	–	16,868
Deferred tax	–	–	–	–	–	(186,565)	–	(129,958)	(316,523)	–	(316,523)
Current tax on share options	–	–	–	–	–	–	–	87,461	87,461	–	87,461
Dividends paid	–	–	–	–	–	–	–	(5,981,721)	(5,981,721)	–	(5,981,721)
Total transactions with owners	(156)	138,216	393,514	–	–	(243,756)	1,150	(6,325,661)	(6,036,693)	(25,419)	(6,062,112)
At 30th June 2016	268,967	2,256,104	(5,298,916)	8,077	75,407	563,350	22,747	15,593,570	13,489,306	631,943	14,121,249

COMPANY STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2016

	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 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
Profit for the period	–	–	–	–	–	–	9,395,022	9,395,022
Comprehensive income	–	–	–	(869)	–	–	–	(869)
Total comprehensive income	–	–	–	(869)	–	–	9,395,022	9,394,153
Transactions with owners								
Share option exercise	994	138,216	393,514	–	(74,059)	–	18,133	476,798
Share cancellation	(1,150)	–	–	–	–	1,150	(375,502)	(375,502)
Share-based payment	–	–	–	–	16,868	–	–	16,868
Deferred tax	–	–	–	–	–	–	(22,848)	(22,848)
Current tax on share options	–	–	–	–	–	–	3,116	3,116
Dividends paid	–	–	–	–	–	–	(5,981,721)	(5,981,721)
Total transactions with owners	(156)	138,216	393,514	–	(57,191)	1,150	(6,358,822)	(5,883,289)
At 30th June 2016	268,967	2,256,104	(5,298,916)	7,750	563,350	22,747	8,355,845	6,175,847

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2016

		Group		Company	
	Note	30th June 2016 £	30th June 2015 £	30th June 2016 £	30th June 2015 £
Cash flow from operating activities					
Operating profit		7,756,138	8,726,691	154,546	183,428
Adjustments for:					
(Loss)/profit on disposal of assets		(515)	–	185	
Depreciation charges		118,742	125,392	42,943	56,919
Amortisation of intangible assets		49,556	45,460	–	–
Share-based payment charge		16,868	10,037	36,374	8,090
Translation adjustments		(243,072)	(154,153)	(8,903)	(70,383)
(Profit)/loss on disposal of fixed assets		–	–	–	–
Cash generated from operations before changes in working capital		7,697,717	8,753,427	225,145	178,054
(Increase)/decrease in trade and other receivables		(534,923)	(873,707)	(3,662,351)	353,408
Increase/(decrease) in trade and other payables		512,427	1,315,488	24,962	1,163,677
Cash generated from/(used in) operations		7,675,221	9,195,208	(3,412,244)	1,695,139
Interest received		40,195	57,482	74	404
Interest paid		–	–	–	–
Taxation (paid)/received		(2,094,937)	(2,219,304)	(22,012)	52,439
Net cash generated from/(used in) operating activities		5,620,479	7,033,386	(3,434,182)	1,747,982
Cash flow from investing activities					
Dividends received from subsidiaries		–	–	9,269,000	5,292,000
Purchase of property and equipment		(139,164)	(108,136)	(26,760)	(19,517)
Proceeds from sale of property and equipment		2,047	–	–	–
Purchase of non-current financial assets		–	–	–	–
Proceeds from sale of non-current financial assets		23,098	5,960	310	3,168
Purchase of current financial assets		–	(328,962)	–	(328,962)
Proceeds from sale of current financial assets		–	329,382	–	329,382
Net cash (used in)/generated from investing activities		(114,019)	(101,756)	9,242,550	5,276,071
Cash flow from financing activities					
Proceeds from issue of ordinary shares		139,210	57,490	139,210	57,490
Ordinary dividends paid	19	(5,981,721)	(5,959,827)	(5,981,721)	(5,959,827)
Purchase and cancellation of own shares		(375,502)	(325,054)	(375,502)	(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		393,514	188,536	393,514	188,536
Capital from non-controlling interest		–	–	–	–
Net cash used in financing activities		(5,824,499)	(7,035,796)	(5,824,499)	(7,035,796)
Net (decrease)/increase in cash and cash equivalents		(318,039)	(104,166)	(16,131)	(11,743)
Cash and cash equivalents at start of period		10,226,705	10,242,906	82,804	90,045
Effect of exchange rate changes		242,133	87,965	8,082	4,502
Cash and cash equivalents at end of period		10,150,799	10,226,705	74,755	82,804

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 2016 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

As at 30th June 2016, the following Standards and Interpretations, which are relevant to the Group, were in issue but subject to EU endorsement:

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

IFRS 9 also introduces an expected loss model for the assessment of impairment. The current incurred loss model (under IAS 39) requires the Group to recognise impairment losses when there is objective evidence that an asset is impaired; under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. This standard is currently expected to become effective in 2018.

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 expected to become effective for annual periods beginning on or after 1st January 2018 and earlier application is permitted subject to EU endorsement.

IFRS 16 requires a lessee to recognise lease assets and liabilities, currently accounted for as operating leases, on the statement of financial position and recognise amortisation of the lease assets and interest on the lease liabilities over the term of the lease. This Standard is currently expected to become effective in 2019.

The Group is assessing the impact of the above Standards on its future financial statements. In relation to IFRS 16, the majority of the Group's leases will expire before the Standard is effective and therefore it is not possible at this time to assess the extent of the Standard's impact in the year of adoption.

Accounting estimates and assumptions

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

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

Share-based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option pricing model. Further details of this can be found in note 22.

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 2016 are detailed below.

Subsidiary undertakings	Activity	Controlling interest	Country of incorporation / principal place of business
City of London Investment Management Company Limited	Management of funds	100%	UK
City of London US Investments Limited	Holding company for US companies	100%	UK
World Markets Umbrella Global Equity Fund*	Open-end offshore sub-fund	100%	Republic of Ireland
International Equity CEF Fund**	Delaware Statutory Trust fund	52%	USA
City of London Investment Management Company Limited holds 100% of the ordinary shares in the following:			
City of London Investment Management (Singapore) PTE Ltd	Management of funds		Singapore
City of London Latin America Limited	Dormant company		UK
City of London US Investments Limited holds 100% of the ordinary shares in the following:			
City of London US Services Limited	Service company		UK

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).

* World Markets Umbrella Global Equity Fund has a year end of 31st January.
** International Equity CEF Fund has a year end of 31st December.

As both of these funds have a financial year end that differs from that of the Company, they are consolidated based on their net asset value as at 30th June 2016.

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

Property and equipment are assessed for impairment annually.

(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.

An additional software licence purchased during the year was assessed and will be amortised over five years.

The assets are reviewed for impairment each year.

(iii) Financial instruments

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

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

(vi) Trade payables

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

(vii) Current and deferred taxation

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(viii) Share-based payments

The Company operates an Employee 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.

The functional currency of the Group's main trading subsidiaries, City of London Investment Management Company Limited and City of London US Services Limited, is US dollars. The functional currency of City of London Investment Group PLC (the "Company") is sterling. The Group uses sterling as the presentation currency. Under IAS 21 this means that exchange differences caused from translating the functional currency to presentational currency for the main trading subsidiaries would be recognised in equity. However, the Group operates a policy whereby the foreign exchange positions of the subsidiaries in relation to the income statement and monetary assets are sold to the Company. As such any exchange differences arising in the Company are "real" in that the functional currency matches the presentational currency. This means that all such exchange differences are included in the income statement and no split is required between other comprehensive income and the income statement. The subsidiaries translate the non-monetary assets at the period end rate and any movement is reflected in other comprehensive income.

(xii) Leases

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

(xiii) Pensions

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

4 SEGMENTAL ANALYSIS

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

	USA £	Canada £	UK £	Europe (ex UK) £	Other £	Total £
Year to 30th June 2016						
Gross fee income	22,609,241	798,158	344,259	661,168	–	24,412,826
Non-current assets:						
Property and equipment	358,742	–	63,715	–	8,560	431,017
Intangible assets	201,801	–	–	–	–	201,801
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

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. The Group derived revenue of £2.9 million (2015: £2.5 million) from one external client which accounts for more than 10% of the Group's fee income (2015: less than 10%).

5 EMPLOYEES

(a) Average number of persons employed by the Group in the period:	Year to 30th June 2016 Number	Year to 30th June 2015 Number
Investment Management/Research	27	27
Performance and Attribution	5	6
Business Development/Marketing	3	3
Client Services	7	6
Administration, Accounts and Settlements	30	28
	72	70

(b) The aggregate employment costs of staff and Directors were:	Year to 30th June 2016 £	Year to 30th June 2015 £
Wages and salaries	5,381,563	4,956,376
Profit sharing payments	3,456,537	3,881,905
Social security costs	676,488	693,644
Defined contribution pension costs	615,617	554,130
Share options charge	16,868	10,037
Other staff costs	459,417	322,479
	10,606,490	10,418,571

6 DIRECTORS

Directors' emoluments comprise:	Year to 30th June 2016 £	Year to 30th June 2015 £
Emoluments (excluding pension contributions and awards under share option schemes)	1,960,422	1,832,224
Pension contributions	92,535	70,176
Health Insurance*	12,848	10,251
Share option charge	14,835	2,892
Gains on exercise of share options	19,625	–

	Year to 30th June 2016 Number	Year to 30th June 2015 Number
Number of Directors on whose behalf pension contributions were paid during the period	5	3
Number of Directors who exercised share options during the period	1	–

Highest paid Director's remuneration:	Year to 30th June 2016 £	Year to 30th June 2015 £
Emoluments (excluding pension contributions and awards under share option schemes)	729,306	773,451
Pension contributions	30,633	28,562
Health Insurance*	3,747	3,417
Share option charge	–	–
Gains on exercise of share options	–	–

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

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

7 OPERATING PROFIT

The operating profit is arrived at after charging:	Year to 30th June 2016 £	Year to 30th June 2015 £
Depreciation of owned assets	118,742	125,392
Amortisation of intangible assets	49,556	45,460
Auditors' remuneration:		
– Statutory audit	75,160	80,347
– Taxation services	–	10,562
– Audit related assurance services	7,968	7,572
– Other services	–	1,937
Operating lease rentals:		
– Land and buildings	429,995	377,837
– Other	81	1,527

8 INTEREST RECEIVABLE AND SIMILAR GAINS

	Year to 30th June 2016 £	Year to 30th June 2015 £
Interest on bank deposit	40,195	57,482
(Loss)/gain on sale of investments	(197)	7,205
Unrealised gain on investments	172,597	140,292
	212,595	204,979

9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge on ordinary activities:	Year to 30th June 2016 £	Year to 30th June 2015 £
Tax at 20% (2015: 21%) based on the profit for the period	1,586,907	1,862,091
Double taxation relief	(911,452)	(1,163,081)
Deferred tax	14,849	13,795
Change in tax rate to 20%	–	(8,214)
Adjustments in respect of prior years	134	(1,689)
Domestic tax total	690,438	702,902
Foreign tax for the current period	1,509,277	1,634,366
Adjustments in respect of prior years	(84,311)	(19,264)
Foreign tax total	1,424,966	1,615,102
Total tax charge in income statement	2,115,404	2,318,004

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 – 20% (prior year – 21%). The differences are explained below:

	Year to 30th June 2016 £	Year to 30th June 2015 £
Profit on ordinary activities before tax	7,968,733	8,931,670
Tax at 20% (2015: 21%) thereon	(1,593,747)	(1,875,651)
Effects of:		
Unrelieved overseas tax	(597,825)	(471,285)
Expenses not deductible for tax purposes	(8,605)	1,415
Income ineligible for tax	34,519	29,461
Capital allowances less than depreciation	(21,705)	(21,290)
Prior period adjustments	84,177	20,953
Deferred tax on share based-payments and investments	(14,849)	(13,795)
Change in tax rate to 20%	–	8,214
Other	2,631	3,974
Total tax charge in income statement	(2,115,404)	(2,318,004)

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 £5,791,354 (2015: £6,577,845) divided by the weighted average number of ordinary shares in issue for the period ended 30th June 2016 of 24,903,965 (2015: 24,907,864).

As set out in the Directors' report on page 32, the Employee Benefit Trust held 1,852,213 ordinary shares in the Company as at 30th June 2016. 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 £5,791,354 (2015: £6,577,845) divided by the diluted weighted average of ordinary shares for the period ended 30th June 2016 of 25,045,522 (2015: 25,272,704).

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

	30th June 2016 Number of shares	30th June 2015 Number of shares
Weighted average number of shares – basic earnings per share	24,903,965	24,907,864
Effect of dilutive potential shares – share options	141,557	364,840
Weighted average number of shares – diluted earnings per share	25,045,522	25,272,704

11 PROPERTY AND EQUIPMENT

	30th June 2016				30th June 2015			
	Furniture and equipment £	Computer and telephone equipment £	Short leasehold improve-ments £	Total £	Furniture and equipment £	Computer and telephone equipment £	Short leasehold improve-ments £	Total £
Group								
Cost								
At start of period	213,397	1,776,776	605,548	2,595,721	197,364	1,554,135	579,163	2,330,662
Currency translation	20,161	136,268	60,813	217,242	6,755	123,783	26,385	156,923
Additions	26,356	89,459	2,875	118,690	9,278	98,858	–	108,136
Disposals	–	(354,734)	–	(354,734)	–	–	–	–
At close of period	259,914	1,647,769	669,236	2,576,919	213,397	1,776,776	605,548	2,595,721
Accumulated depreciation								
At start of period	204,268	1,672,984	334,386	2,211,638	190,445	1,471,453	291,933	1,953,831
Currency translation	16,756	121,169	30,798	168,723	6,347	122,866	3,202	132,415
Charge for the period	9,795	68,784	40,163	118,742	7,476	78,665	39,251	125,392
Disposals	–	(353,201)	–	(353,201)	–	–	–	–
At close of period	230,819	1,509,736	405,347	2,145,902	204,268	1,672,984	334,386	2,211,638
Net book value								
At close of period	29,095	138,033	263,889	431,017	9,129	103,792	271,162	384,083
Company								
Cost								
At start of period	122,275	632,901	278,719	1,033,895	121,417	614,242	278,719	1,014,378
Additions	1,050	25,170	539	26,759	858	18,659	–	19,517
Disposals	–	(139,945)	–	(139,945)	–	–	–	–
At close of period	123,325	518,126	279,258	920,709	122,275	632,901	278,719	1,033,895
Accumulated depreciation								
At start of period	121,289	600,703	223,260	945,252	118,968	564,591	204,774	888,333
Charge for the period	820	23,098	19,025	42,943	2,321	36,112	18,486	56,919
Disposals	–	(139,761)	–	(139,761)	–	–	–	–
At close of period	122,109	484,040	242,285	848,434	121,289	600,703	223,260	945,252
Net book value								
At close of period	1,216	34,086	36,973	72,275	986	32,198	55,459	88,643

12 INTANGIBLE ASSETS

Group	30th June 2016 Long term software licences £	30th June 2015 Long term software licences £
Cost		
At start of period	413,354	379,983
Currency translation	78,682	33,371
Additions	20,475	–
At close of period	512,511	413,354
Amortisation charge		
At start of period	217,011	164,660
Currency translation	44,143	6,891
Charge for the period	49,556	45,460
At close of period	310,710	217,011
Net book value		
At close of period	201,801	196,343

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

13 OTHER FINANCIAL ASSETS (NON-CURRENT)

Group	30th June 2016 Unlisted investments £	30th June 2015 Unlisted investments £
Cost		
At start of period	2,075,954	1,824,984
Additions	–	–
Disposals	(531)	(6,359)
Fair value gains/(losses)	124,676	257,329
At close of period*	2,200,099	2,075,954

* The total of £2,200,099 includes £1,302,830 (2015: £1,231,697) relating to International Equity CEF Fund.

13 OTHER FINANCIAL ASSETS (NON-CURRENT) CONTINUED

Company	30th June 2016 Unlisted investments £	30th June 2016 Investment in subsidiary undertakings £	30th June 2016 Total £	30th June 2015 Unlisted investments £	30th June 2015 Investment in subsidiary undertakings £	30th June 2015 Total £
Cost						
At start of period	26,147	1,784,645	1,810,792	25,273	1,730,509	1,755,782
Additions	–	65,477	65,477	–	19,286	19,286
Disposals	(531)	(140,909)	(141,440)	(3,180)	(36,754)	(39,934)
Fair value (losses)/gains recognised in other comprehensive income	1,838	–	1,838	4,054	–	4,054
Other movements	–	(1,997)	(1,997)	–	71,604	71,604
At close of period	27,454	1,707,216	1,734,670	26,147	1,784,645	1,810,792

The additions and disposals in investments in subsidiary undertakings reflect the allocation of share-based payments from the Company to its subsidiaries under IFRS 2.

All Group companies are listed in note 2 of these accounts.

14 DEFERRED TAX ASSET

	Share-based payments Group £	Share-based payments Company £
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
Credit to income	7,275	7,275
Credit to equity	(316,523)	(22,848)
At 30th June 2016	86,106	19,101

15 TRADE AND OTHER RECEIVABLES

	Group 30th June 2016 £	Group 30th June 2015 £	Company 30th June 2016 £	Company 30th June 2015 £
Trade receivables	162,547	257,814	–	–
Accrued income	4,163,469	3,586,831	–	–
Amounts owed by Group undertakings	–	–	5,286,074	1,616,568
Other debtors	124,690	101,130	67,405	70,528
Prepayments	593,401	563,409	243,948	247,980
	5,044,107	4,509,184	5,597,427	1,935,076

16 TRADE AND OTHER PAYABLES

	Group		Company	
	30th June 2016 £	30th June 2015 £	30th June 2016 £	30th June 2015 £
Trade creditors	60,963	–	–	–
Sundry creditors	282,525	25,215	3,742	939
Amounts owed to Group undertakings	–	–	774,503	764,376
Other taxation and social security	80,672	68,312	79,270	68,112
Accruals and deferred income	2,698,211	2,516,417	769,394	768,520
	3,122,371	2,609,944	1,626,909	1,601,947

17 DEFERRED TAX LIABILITY

Group and Company	Group £	Company £
At 30th June 2014	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
Decrease due to reduction in fair value of available-for-sale investments	(135)	(135)
Increase due to gain in fair value of other financial assets	22,124	–
Released on disposal of available-for-sale investments	–	–
At 30th June 2016	137,514	2,019

18 SHARE CAPITAL

Group and Company	30th June 2016 Number of shares	30th June 2015 Number of shares
Authorised Ordinary shares of 1p each (2015 – 1p each)	90,000,000	90,000,000
	£	£
Ordinary shares of 1p each (2015 – 1p each)	900,000	900,000

18 SHARE CAPITAL CONTINUED

Group and Company	30th June 2016 £	30th June 2015 £
Allotted, called up and fully paid		
At start of period 26,912,271 (2015: 26,972,707) Ordinary shares of 1p each	269,123	269,727
Dilutive share options exercised; 99,436 (2015: 41,064)	994	411
Shares repurchased and cancelled; 115,000 (2015: 101,500)	(1,150)	(1,015)
At end of period 26,896,707 (2015: 26,912,271) Ordinary shares of 1p each	268,967	269,123

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

19 DIVIDEND

	30th June 2016 £	30th June 2015 £
Dividends paid:		
Interim dividend of 8p per share (2015: 8p)	1,996,704	1,985,039
Final dividend in respect of year ended:		
30th June 2015 of 16p per share (2014: 16p)	3,985,017	3,974,788
	5,981,721	5,959,827

A final dividend of 16p per share has been proposed, payable on 31st October 2016, subject to shareholder approval, to shareholders who are on the register of members on 14th October 2016.

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 £9,395,022 (2015: £5,446,205).

21 OPERATING LEASE COMMITMENTS

At 30th June 2016 the Group had the following commitments for future minimum lease payments under non-cancellable operating leases:

	Group		Company	
	Land and buildings 30th June 2016 £	Land and buildings 30th June 2015 £	Land and buildings 30th June 2016 £	Land and buildings 30th June 2015 £
Within one year	421,478	364,313	212,160	212,160
In the second to fifth years inclusive	571,568	707,589	212,160	424,321
After five years	–	–	–	–
	993,046	1,071,902	424,320	636,481

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
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 2016		Year to 30th June 2015	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at the beginning of the period	2,158,671	2.88	2,003,690	2.68
Granted during the period	–	–	398,585	3.52
Forfeited during the period	312,710	2.61	101,875	3.03
Exercised during the period	279,341	1.91	141,729	1.74
Outstanding at the end of the period	1,566,620	3.11	2,158,671	2.88
Exercisable at the end of the period	873,295	3.18	1,319,886	2.80
The weighted average share price at the date of exercise for share options exercised during the period was		3.03		3.38

The total share-based payment for the period is a charge of £16,868 (2015: £10,037). For outstanding share options the exercise price ranged between £2.30 and £4.03, 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 £6,171,618 (2015: £5,978,813) in respect of management service charges and dividends of £9,269,000 (2015: £5,292,000).

Amounts outstanding between the Company and its subsidiaries as at 30th June 2016 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 2016 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	–	2,172,645	27,454	2,200,099
Trade and other receivables	5,044,107	–	–	5,044,107
Cash and cash equivalents	10,150,799	–	–	10,150,799
Total	15,194,906	2,172,645	27,454	17,395,005

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)	276,743	2,845,628	3,122,371
Total	276,743	2,845,628	3,122,371

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

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

24 FINANCIAL INSTRUMENTS CONTINUED

Company

30th June 2016 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	1,707,216	–	–	27,454	1,734,670
Trade and other receivables	–	5,597,427	–	–	5,597,427
Cash and cash equivalents	–	74,755	–	–	74,755
Total	1,707,216	5,672,182	–	27,454	7,406,852

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]	–	1,626,909	1,626,909
Total	–	1,626,909	1,626,909

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

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 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	27,454	–	27,454
Total	–	27,454	–	27,454
Financial assets at fair value through profit or loss				
Investment in other financial assets	2,160,174	12,457	14	2,172,645
Forward currency trades	–	–	–	–
Total	2,160,174	12,457	14	2,172,645
Financial liabilities at fair value through profit or loss				
Forward currency trades	–	276,743	–	276,743
Total	–	276,743	–	276,743

30th June 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	26,784	–	26,784
Total	–	26,784	–	26,784
Financial assets at fair value through profit or loss				
Investments in other financial assets	2,020,615	28,542	13	2,049,170
Forward currency trades	–	3,529	–	3,529
Total	2,020,615	32,071	13	2,052,699

Company

30th June 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets				
Investment in own funds	–	27,454	–	27,454
Total	–	27,454	–	27,454

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

24 FINANCIAL INSTRUMENTS CONTINUED

Level 3

Assets as of 30th June 2016 consist of one security valued at £14 (2015: £13). 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 period or the preceding year.

The fair value gain on the forward currency trades is offset in the income statement by the foreign exchange losses on other currency assets and liabilities held during the period and at the period end. The net loss reported for the period is £179,495 (2015: net loss £94,670).

(iii) Foreign currency risk

Almost all of the Group's revenues, and a significant part of its expenses, are denominated in currencies other than sterling, principally US 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 2016, the Group had net asset balances of US$5,399,570 (2015: US$4,819,332), offset by forward sales totalling US$4,250,000 (2015: US$5,250,000). Other significant net asset balances were C$387,803 (2015: C$325,558), AED248,149 (2015: AED290,456), and SGD196,587 (2015: net liabilities of SGD651,590).

Had the US dollar strengthened or weakened against sterling as at 30th June 2016 by 10%, with all other variables held constant, the Group's net assets would have increased or decreased (respectively) by approximately 2.5%, 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 Chairman's statement on page 2.

(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 £Nil (2015: 7,604).

Further details on the effects on the Group's post-tax profits due to movements in market prices have been demonstrated in the post-tax profits table in the Chairman's statement on page 2.

(v) Credit risk

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

The Group has zero experience of bad or overdue debts.

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

(vi) Liquidity risk

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

(vii) Interest rate risk

The Group has no borrowings, and therefore has no exposure to interest rate risk other than that which attaches to its interest earning cash balances and forward currency contracts. The Group's strategy is to maximise the amount of cash which is maintained in interest bearing accounts, and to ensure that those accounts attract a competitive interest rate. At 30th June 2016 the Group held £10,150,799 (2015: £10,226,705) in cash balances, of which £9,899,916 (2015: £9,977,221) 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 Capital Adequacy Assessment Process ("ICAAP"), under which the Board quantifies the level of capital required to meet operational risks. The objective of this is to ensure that the firm has adequate capital to enable it to manage risks which are not adequately covered under the Pillar 1 requirements. This process includes stress testing for the effects of major risks, such as a significant market downturn, and includes an assessment of the Group's ability to mitigate the risks.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of City of London Investment Group PLC (the "Company") will be held at 77 Gracechurch Street, London EC3V 0AS on Monday 17 October 2016 at 11.30am. To consider, and if thought fit, pass resolutions 16 and 17 as ordinary resolutions and resolutions 18 and 19 as special resolutions:

Ordinary business

1. To receive and adopt the financial statements for the year ended 30th June 2016 together with the reports of the Directors and auditors thereon.

2. To approve the Annual report on remuneration for the year ended 30th June 2016.

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 2016 payable on 31st October 2016.

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, Mark Dwyer, 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, Tracy Rodrigues, who retires in accordance with the Articles of Association of the Company and offers herself for re-election.

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

13. To re-appoint 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.

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

Special business

15. THAT, in accordance with sections 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers conferred pursuant to Article 10 of the Company's Articles of Association to allot shares in the Company (which for this purpose includes grants of rights to subscribe for or to convert any security into shares) up to a maximum nominal amount of £89,656 (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 2017 (whichever is earlier), save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted (or rights to be granted) and the Directors may allot shares (or grant rights) in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

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

17. THAT, subject to the passing of resolution 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 £13,448 (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.

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

    (a) the maximum number of ordinary shares which may be purchased is 2,689,671 (representing approximately 10% of the Company's issued ordinary share capital at the date of this notice);

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

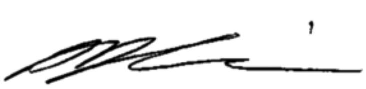
    (c) the maximum price, exclusive of any expenses, which may be paid for any ordinary share shall be higher of:
        (i) an amount equal to 105% of the average of the middle market quotations for the ordinary shares of the Company as derived from the Daily Official List of the London Stock Exchange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

    (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the Company's next Annual General Meeting, or on 30th November 2017 (whichever is earlier),

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

19. THAT the City of London Investment Group Plc Employee Incentive Plan (the "EIP"), the principal terms of which are summarised on pages 83 and 84 and as contained in the rules of the EIP produced to this meeting and initialled by the Chairman of the meeting for the purposes of identification, be and is hereby approved and adopted and the directors be and are hereby generally and unconditionally authorised to do or procure to be done all such acts and things as they, in their absolute discretion, may consider necessary or desirable to implement the EIP in accordance with its terms and to establish further schemes based on the EIP but modified to take account of any applicable securities, exchange control, or taxation laws or regulations outside the United Kingdom (provided that any shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the EIP).

By order of the Board



P A Keith
Company Secretary
8th September 2016

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 4TU or returned in the envelope provided no later than 11.30am on 13th October 2016. A Form of Proxy accompanies this notice.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the annual general meeting (and for the purposes of the determination by the Company of the numbers of votes they may cast) is Close of Business on 13th October 2016.

   The rights of members to attend and vote at the meeting will be determined by reference to entries on the register of members at Close of Business on 13th October 2016. 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 2016, 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 2016 which will be paid on 31st October 2016 to shareholders on the register at the close of business on 14th October 2016.

The Company's shares will trade ex-dividend from 13th October 2016 until the payment date.

Re-election of Directors (Resolutions 5 – 12)
Article 138 of the Company's articles of association requires that a resolution for the appointment or re-appointment of two or more persons as Directors by a single resolution may not be moved unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it. Consequently separate resolutions will be put to the meeting.

Brief biographical details of all the Directors may be found on page 30 to 31 of the annual report.

Re-appointment of auditors (Resolution 13)
The Company is required at each general meeting at which its annual accounts and reports are laid before the shareholders (an "Accounts Meeting") to appoint auditors for the next financial year to hold office from the conclusion of that accounts meeting until the conclusion of the next accounts meeting. 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 2017.

Remuneration of auditors (Resolution 14)
In accordance with the Companies Act 2006, the remuneration of the auditors appointed by the shareholders may be fixed in such manner as the shareholders in general meeting may determine. It is normal practice for a company's Directors to be authorised to agree the auditors' fees. If this resolution is passed, the Audit Committee will review and approve the auditors' fees for recommendation to the Board.

Authority to allot shares (Resolution 15)
Resolution 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 £89,656 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 16)
In accordance with the Association of British Insurers' Principles of Remuneration, the prior approval of shareholders should be obtained before 5% or more of the Company's issued share capital is held on behalf of the EBT.

Your Board of Directors therefore seeks the approval of shareholders by ordinary resolution to permit the trustees of the EBT to hold up to a maximum of 10% of the Company's issued ordinary share capital from time to time. Your Directors believe that granting such approval would be in the best interests of shareholders because it will offer the opportunity to align more closely the interests of staff and shareholders, will extend the Company's opportunities with respect to attracting new talent and 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 17)
Resolution 17 will be proposed as a special resolution in accordance with section 570 of the Companies Act 2006, to authorise the Directors of the Company to allot a limited number of shares for cash other than on a pre-emptive basis, up to an aggregate nominal value of £13,448 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 18)

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

Accordingly Resolution 18, which will be proposed as a special resolution, will give the Directors the authority to purchase issued shares of the Company under section 701 of the Companies Act 2006. The authority contained in this Resolution will be limited to an aggregate nominal value of £2,689,671 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 2017 (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.

Employee Incentive Plan (Resolution 19)

Summary of the principal terms of the proposed Employee Incentive Plan (the "EIP")

The Plan is open to employees of all Group companies and executive Directors.

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

Participants will initially be invited to waive up to 20% of their annual bonus in return for the right to participate in the Plan for the financial year. Depending on the level of participation, if there is spare capacity within the cap set for the value of the annual Awards, employees and executive Directors will be offered the opportunity to increase their participation, up to 30% of their annual bonus.

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

Awards will vest (i.e. no longer be forfeitable) over a three year period with one-third vesting each year.

The legal title to the Shares will remain with the Trustee of the Employee Benefit Trust until called for by a participant over vested Shares.

1. Eligibility and grant procedure

Executive Directors and other employees (the "employees") of the Company and its subsidiaries (the "Group") are eligible to participate in the EIP.

Awards will be made by the Remuneration Committee (the "Committee") in the open period following the announcement of its annual results and in line with the Market Abuse Regulations.

No Awards can be made more than ten years following the date on which the EIP is approved by Shareholders.

2. Form of Awards

Awards will be in the form of the transfer of the beneficial interest in the Shares by the Trustee subject to vesting and forfeiture. The Awards will vest as follows:

- One-third on the first anniversary of the date of Award;
- One third on the second anniversary of the date of Award; and
- The final one-third on the third anniversary of the date of Award.

3. Value of Awards

Election to participate in the EIP is voluntary and therefore the level of Awards will vary depending on the level of employee take up. However, the EIP is linked to the Group's profitability, and for the first four years is capped at 5% of pre-bonus, pre-tax, operating profit to cover the charge of the Bonus Shares. Thereafter, the EIP will fall within the 30% limit of the existing profit-share pool.

4. Cessation of employment
An employee who ceases employment with the Group prior to the date of Award will not be entitled to such Award and any waiver of bonus will be invalid in relation to such employee.

Awards made to participants who cease to be employed with the Group at any time prior to vesting (other than as a result of death) will be subject to Forfeiture to the extent that the Awards have not vested. The participant's beneficial interest in unvested Deferred Shares will automatically revert to the Trustee in exchange for a payment equal to the lesser of the cost of acquiring the Deferred Shares and the market value at that time, and zero in the case of the Bonus Shares.

However, if the participant ceases to be employed for a good leaver reason, i.e. broadly death, disability, ill-health, retirement, redundancy, the company or business in which they work being sold or for any other reasons at the absolute discretion of the Committee, then in relation to the Bonus Shares, an amount in addition will be vested and not subject to Forfeiture in relation to the remainder of the Award that has not yet vested on a pro-rata basis.

5. Change of control or other early vesting events
In the event of a change of control of the Company (other than on an internal reconstruction), the Awards will fully vest on an accelerated basis and the participants will be entitled to direct the Trustee to participate in the transaction as Shareholders.

6. Rights attaching to Shares
Awards will not attract any dividends but will attract dividend equivalents provided that these are only payable on the date that the Award has fully vested.

Benefits received under the EIP are not pensionable and may not be assigned or transferred except on a participant's death.

If a participant ceases employment he will not be entitled to compensation for any loss of his Award.

7. Alterations to the EIP
The Committee will have authority to amend the rules of the EIP, provided that no amendment to the advantage of participants or eligible employees may be made to provisions relating to the key features of the EIP without the prior approval of Shareholders in general meeting unless the amendment is minor and made to benefit the administration of the EIP, to take account of a change or proposed change in legislation or to obtain or maintain favourable (or avoid unfavourable) tax, exchange control or regulatory treatment.

Additional schedules to the rules or sub-plans can be established to operate the EIP outside the UK. These schedules or sub-plans can vary the rules of the EIP to take account of any securities, exchange control or taxation laws or regulations.

8. Limits on the issue of Shares
The EIP will be subject to the limit that, in any ten-year period, not more than 10 percent of the issued ordinary Share capital of the Company from time to time may be issued or issuable under all the Company's Share plans.

However, the Committee intends to procure that the Trustee purchases Shares in the market to ensure that sufficient Shares are available for the EIP throughout the ten-year period. The Committee may use treasury Shares for the purposes of the EIP and transfers of such Shares will count towards the limits referred to above for so long as it is a recommendation of the Investment Association that they should do so.

Where Awards are granted over existing Shares, these may be held in a discretionary Employee Benefit Trust.

This summarises the main features of the EIP but does not form part of the EIP and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. Copies of the draft rules will be available for inspection at the Company's Registered Office on 17th October 2016 for at least fifteen minutes prior to and until the conclusion of the Annual General Meeting. The Directors reserve the right up to the time of the meeting to make such amendments and additions as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the details set out in this Summary.

COMPANY INFORMATION

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

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

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

By phone on 0871 664 0300 from the UK and +44 371 664 0391 from overseas. *(Calls cost 12 pence per minute plus network extras. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9am to 5:30pm Mon – Fri, excluding public holidays in England and Wales).*

By email:
shareholderenquiries@capita.co.uk

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

Company registration number
2685257

Company Secretary
Philippa Keith

Financial calendar

First quarter Funds under Management (FuM) announcement	10th October 2016
Ex-dividend date for the final dividend	13th October 2016
Final dividend record date	14th October 2016
AGM	17th October 2016
Final dividend payment	31st October 2016
Second quarter FuM announcement	17th January 2017
Half year results and interim dividend announcement	20th February 2017
Ex-dividend date for the interim dividend	2nd March 2017
Interim dividend record date	3rd March 2017
Interim dividend payment	17th March 2017
Third quarter FuM announcement	11th April 2017
Year end	30th June 2017

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

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