CITY OF LONDON
INVESTMENT GROUP PLC

ANNUAL REPORT & ACCOUNTS 2016/2017

CITY OF LONDON
INVESTMENT GROUP PLC

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

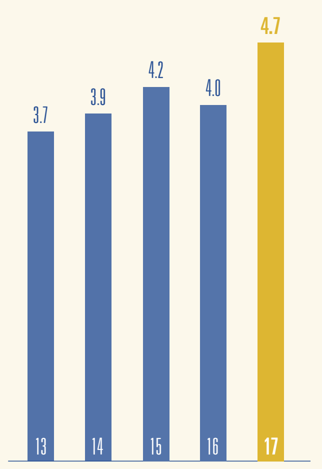
In recent years the Group has expanded its range to include Developed, Frontier and Global Tactical Asset Allocation closed-end fund strategies.

www.citlon.co.uk

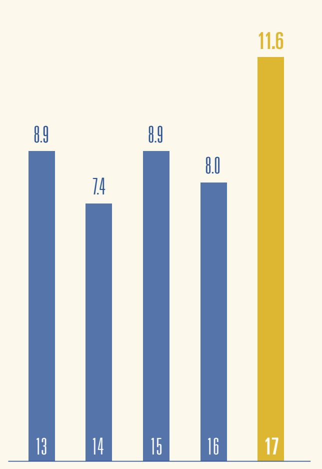
SUMMARY

- Funds under management (FuM) at 30th June 2017 were US$4.7 billion (2016: US$4.0 billion), an increase of 17%. In sterling terms, FuM increased by 20% to £3.6 billion (2016: £3.0 billion). The MSCI Emerging Markets TR Net Index rose 24% in US$ terms over the same period.
- Revenues, representing the Group's management charges on FuM, were £31.3 million (2016: £24.4 million). Profit before tax was £11.6 million (2016: £8.0 million).
- Basic earnings per share were 36.9p (2016: 23.3p) after a tax charge of 21% (2016: 27%) of pre-tax profits.
- An increased final dividend of 17p per share is recommended, payable on 31st October 2017 to shareholders on the register on 13th October 2017, making a total for the year of 25p (2016: 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

CHAIRMAN'S STATEMENT

"I consider our current level of profits to be soundly based with encouraging upside from the pipeline of potential new client money for both our traditional EM products and the diversification strategies."

I joined the Board of your Company at the time of the flotation on AIM in 2006 and I will be retiring at the end of the current year – it is a good moment, therefore, for me to review the progress that has been made over the last decade.

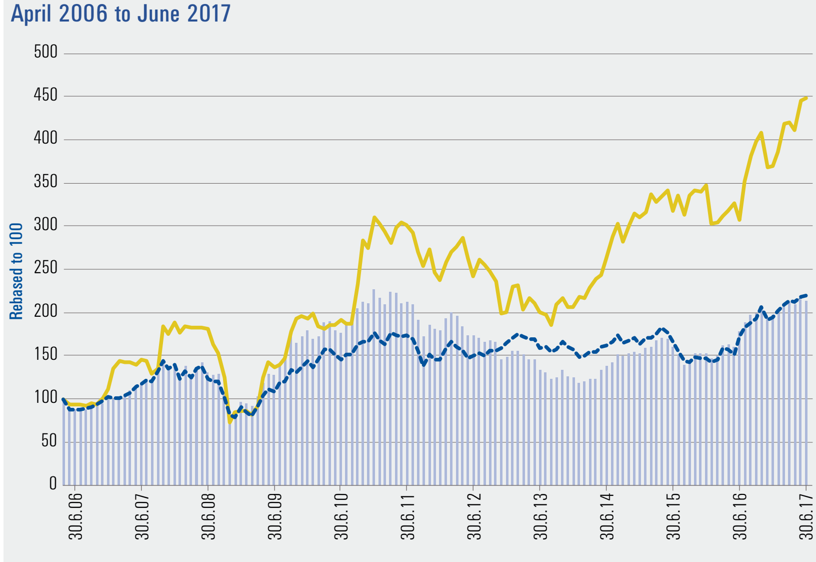
The primary driver of our fortunes has been the Emerging Markets, where on average over the decade we have invested at least 90 percent of our Funds under Management ("FuM"). They say a picture can say more than a thousand words – that is no less true for the graph set out below which reminds us that the ride has been eventful but rewarding for shareholders:

As can be seen, the Emerging Markets have been both volatile and, certainly compared to the previous decade, have shown only erratic growth. What I find to be particularly impressive is how, without much of a following wind, your Company has been able amply to reward shareholders well ahead of the performance of the underlying markets. Good investment performance justified relatively high fees whilst attracting new client money – on flotation in 2006 FuM totalled £1.5 billion compared to £3.6 billion at end June 2017. The increased revenues, combined with effective cost controls and the considered use of technology driving efficiencies, ensured that shareholders have been well rewarded through a combination of dividends and stock price.

Results

For the year to 30th June 2017 pre-tax profits were £11.6 million (2016: £8.0

CLIM FuM and Stock Performance Compared with the MSCI EM TR Index
April 2006 to June 2017



*Rebased from the AIM listing in April 2006. Figures are in GBP and reflect total returns. Past performance is no guarantee of future results.
Source: City of London Investment Management, MSCI, Bloomberg

million) and profits after a tax charge of 21% were £9.1 million (2016: profits of £5.9 million after a tax charge of 27%). The tax charge includes an estimated refund of c.£0.4 million relating to prior years' US state taxes which if excluded would result in a Group tax rate of 24% of pre-tax profits. Basic and fully diluted earnings per share were 36.9p and 36.7p respectively (2016: 23.3p and 23.1p).

As highlighted previously, the major driver determining our results is the average level of FuM over the year. The underlying MSCI Emerging Markets TR Index (M1EF) performed strongly, averaging 405 and reaching 453 at the year-end, compared to an average of 351 closing at 364 the previous year. Our FuM were US$4.7 billion (£3.6 billion) at 30th June 2017 (2016: US$4.0 billion or £3.0 billion). Although this represented a 17% increase in US$ terms, it fell short of the increase of 24% in the M1EF as the good EM performance led clients to rebalance their portfolios away from the EMs. As we report in sterling and with, in addition, some 40% of our costs being sterling based, profits have again benefited from a much weaker sterling currency relative to our US dollar based income. In previous years I have illustrated this with a sterling/dollar Post-Tax Profit matrix; this year an updated matrix is contained in our Finance Director's report. The average rate during the year was 1.27 compared to 1.48 for the previous 12 months. These two drivers accounted for most of the impressive profit increase reported above.

Dividends

Shareholders will be aware that we have a well established policy applied with some flexibility of targeting a 1.2x dividend cover over a rolling 5 year period. In view of both the improvement in underlying profitability and the positive outlook for the current year it has been decided to recommend an increase of 1p in the final dividend giving a total for the year of 25p and a dividend cover for the year of 1.46x (2016: 0.97x).

Board

Your Board continues to evolve and this year we have both good news and not so good news to report. Allan Bufferd, our Senior Independent Director whose wise counsel we have benefited from for 9 years, decided that with the start of his ninth decade beckoning it was time for him to draw stumps on some of his very extensive commitments. He retired at the year end and we have been privileged to welcome as of 1st July Susannah Nicklin to the Board. Information on Susannah's background and experience was included in our announcement on 13th June but suffice to say she is exceptionally well qualified to contribute to your Board. Barry Aling has become our new Senior Independent Director and Susannah now chairs the Nominations Committee.

We again carried out a formal evaluation of the performance of the Board and its members. With the conclusion that each Director is operating effectively I recommend that all Directors be re-elected.

Outlook

With developed markets at all-time highs seemingly oblivious to the mounting political uncertainties in a number of key OECD countries, emerging markets will continue to be vulnerable to both geopolitical and monetary events. However, weak sterling has benefited your Company's profitability substantially and whilst predicting currencies is a fool's game I consider our current level of profits to be soundly based with encouraging upside from the pipeline of potential new client money for both our traditional EM products and the diversification strategies.

Our AGM is on Monday 23rd October at our Gracechurch Street offices and all shareholders are most welcome.

Following the meeting's formal business your Directors look forward to having the opportunity to meet and talk to individual shareholders.

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

David Cardale
Chairman
14th September 2017

CHIEF EXECUTIVE OFFICER'S STATEMENT

"After ten years, the Emerging Markets as measured by the MSCI EM T/R Index have just regained the highs of 2008. For us this has been a tough time with doubts about our asset class abounding."

An EM Bull Market at last!

After ten years, the Emerging Markets as measured by the MSCI EM T/R Index have just regained the highs of 2008.

For us this has been a tough time with doubts about our asset class abounding.

Fortunately our Clients, Shareholders and Staff have remained loyal as we have continued to do what we do best, which is to take advantage of the volatility that has been created by others.

CLIG Corporate Stability

During this past bear market we have, as mentioned, been successful in keeping most of our Clients. This has been achieved with a Client Retention program that has not just taken time and human resources, but also an ongoing deeper and deeper dive into our Investment Process. The improved information we can now obtain for our clients and for ourselves via the use of technology is to me extraordinary. SWAD, Attribution, Asset Allocation Discrepancies and Country Allocation data would not have been able to be calculated as accurately as they are today even five years ago. Being forensic in our research and using no third party data when making investment decisions are additional Core Values that we bring to our work as markets become more perfectly priced, volatility is reduced and alpha generation is potentially reduced.

Diversification

As this process has worked for the Emerging Markets team for well over 25 years, it's now also working for our Developed, Frontier and Global Tactical Asset Allocation strategies.

Further, these latter teams within CLIM have continued to grow in both absolute and relative terms when compared to our core business of Emerging Markets. I believe it would be fair to say that in terms of our ambitions regarding Diversification, we are in a good place in terms of both momentum and profitability.

Over time an increased contribution to growth from these diversification products will benefit all stakeholders:

- Clients via an increased product offering, albeit one that continues to benefit from our core competency within closed-end funds
- Shareholders via a less volatile (and potentially greater) stream of earnings from a more diverse client base
- Staff via improved opportunities for progression and, from the underpinnings of business profitability, potentially higher remuneration.

Margins and Cost Controls

I would make the point that while margins at all active managers have remained under pressure, we as a firm, as a result of our consistent outperformance relative to our benchmarks, have not had significant downward pressure.

Shareholders should take note of the very disciplined control we have demonstrated over our costs. To the extent that these have increased, it is to a great extent down to the fall in GBP which, when translating the costs – including staff salaries associated with our offices in the US, Singapore and Dubai – into sterling, has had a detrimental effect on our overheads.

During this unique period of increased GBP denominated revenues we have taken the opportunity to enhance our IT infrastructure. These enhancements address the interrelated components of refreshing the Firm's infrastructure and addressing cybersecurity solutions. These expenditures were both necessary and position us well for the future.

In terms of containing costs, this year will be no different. It's my view that when one is at the early stages of a bull market, increased bonuses (variable costs) are a substitute for increased salaries (fixed costs).

In our focus to contain costs we should not forget our longer term plans for the (unfortunately inevitable) bear market.

Rather than join in with our peers who invariably start cost cutting once the bear market arrives, we prefer to keep staff together thus maintaining not just corporate knowledge but their focus and long-term commitment.

Advances in, and use of Technology

We would say that we have a very well tried and tested Investment Process. The smart thing though is to continue to delve into data via the use of technology while having better and better trained practitioners. This approach, while very important within an Investment Management context, is equally important in terms of support staff. As we say, this is a team firm and there is no single person here who is considered pivotal in terms of the investment performance we have achieved.

I have referenced IT on a number of occasions in the last few paragraphs. We will continue to invest in technology solutions for the foreseeable future not just to assist our Investment Process but, as Clients become more demanding and we are held increasingly accountable, to enhance support systems to leave staff time for more "added value" tasks. It will also enable us to save on the additional staff costs that would otherwise be inevitable.

Investment Performance

In terms of investment performance the following tables represent data from eVestment Alliance. This data is representative of the different asset classes referenced earlier.

Remuneration Policy within a Team Environment

As CLIG Shareholders will be aware, while complying with our regulatory responsibilities, we are reluctant to be compartmentalized into the "one size fits all" environment that has recently been promoted as the way that certain Financial Service companies should be run in terms of their Remuneration Policy.

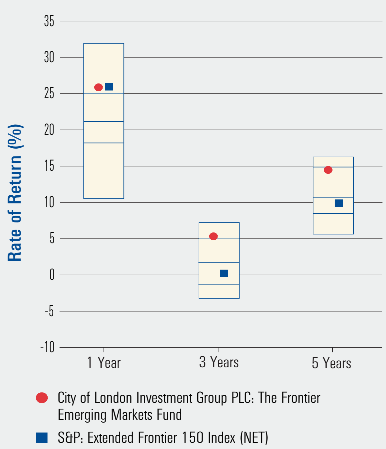
Specifically, we are going to resist, to the extent possible, employee Key Performance Indicators (KPIs) that are being promoted as a solution to the selfishness and greed that have been referenced as contributing factors to the instability that developed around 2008 and what ultimately became known as the "Financial Crisis".

Having followed this industry for over 50 years it seems to me that the employee KPI approach, while addressing a small component of the problem, does not deal with its root cause.

In my opinion, not only are Financial Service companies being encouraged to measure employee performance over a discrete (and I would suggest excessively short term) period, but this performance does not necessarily relate to a firm's profits, reputation, long-term viability or its strategic positioning in the marketplace.

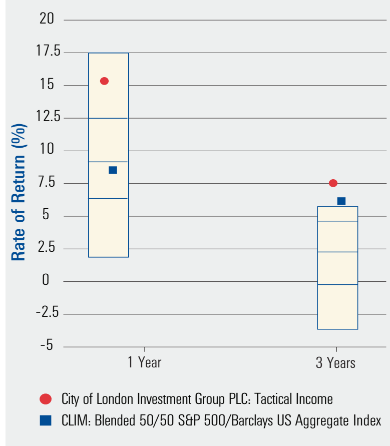
Frontier Markets Quartile Returns as of: 30th June 2017

*According to eVestment Alliance**



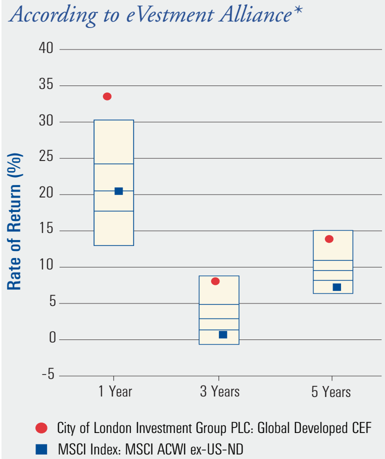
CLIM Tactical Income Quartile Returns as of: 30th June 2017

*According to eVestment Alliance**



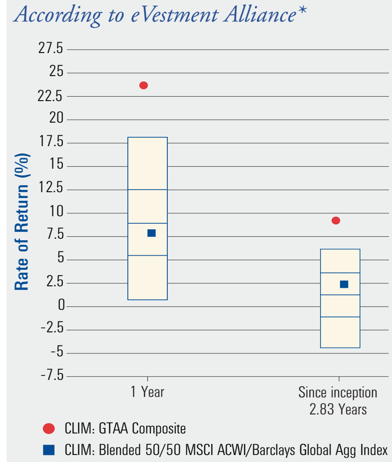
Global Developed International Composite Returns as of: 30th June 2017

*According to eVestment Alliance**



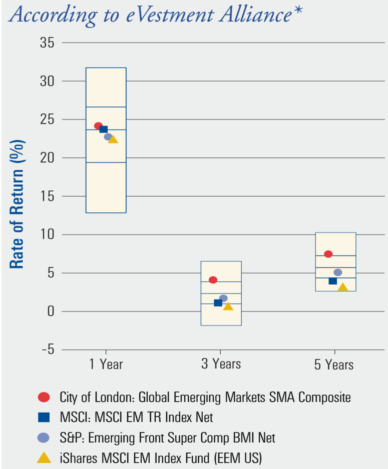
CLIM GTAA Quartile Returns as of: 30thJune 2017

*According to eVestment Alliance**



Global Emerging Markets SMA Composite Returns as of: 30th June 2017

*According to eVestment Alliance**



Notes

Frontier Markets
*92.9% of the universe has been updated through to 30th June 2017
Past performance is no guarantee of future results.
Source: eASE Analytics System, S&P, Bloomberg

Global Developed International
*98.0% of the universe has been updated through to 30th June 2017
Past performance is no guarantee of future results.
Source: eASE Analytics System

Global Emerging Markets SMA Composite returns
*94% of the universe has been updated through to 30th June 2017
Past performance is no guarantee of future results.
Source: eASE Analytics System, S&P, MSCI, Bloomberg

CLIM Tactical Income
*98.1% of the universe has been updated through to 30th June 2017
Past performance is no guarantee of future results.
Source: eASE Analytics System

CLIM GTAA
*97.6% of the universe has been updated through to 30th June 2017
Past performance is no guarantee of future results.
Source: eASE Analytics System, MSCI, Barclays, Bloomberg

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

CHIEF EXECUTIVE OFFICER'S STATEMENT

CONTINUED

By attempting to focus on employee KPIs, I would say that our industry is being encouraged to attach a level of credibility to the achievement of targets that cannot be measured within the context of the aforementioned four points.

Further, in my opinion, KPIs could actually motivate employees to increase the risks to which corporations are vulnerable as it is extraordinarily difficult to determine if a relevant period in terms of measurement is one, three or five years, such periods being complicated in terms of remuneration by clawback and deferral. This is made even more complicated in terms of how the benefit could be received – in cash or in shares?

There are three components that in my opinion are far more relevant to any discussion regarding Remuneration Policy.

First, what is the quality of the Profits – their volatility and the extent to which they are forecastable?

Second, the quality of the people being employed – are they selfish and greedy, or are they like those in other Industries such as in Architecture, Dentistry and Accountancy where there is both a profit motive and where employees can become wealthy, but where this can only occur within a team environment?

Third, in many instances within parts of the Financial Service industry, Profits and Profitability actually have nothing to do with individual performance. They are a function of volatility (of markets), (client) activity and the strategic positioning of the business.

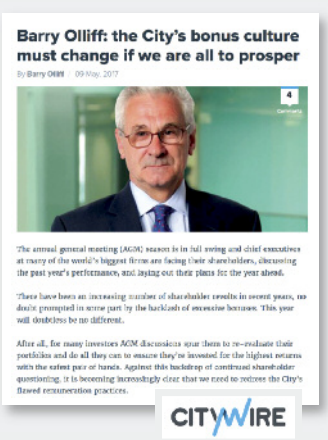
At the risk of stating the obvious, the quality of many Financial Service Profits is very poor, on a long-term basis they are not forecastable or sustainable and it's for these reasons that forty or fifty years ago we were paid low salaries (keeping the fixed overhead down) while letting staff benefit hugely in the good times.

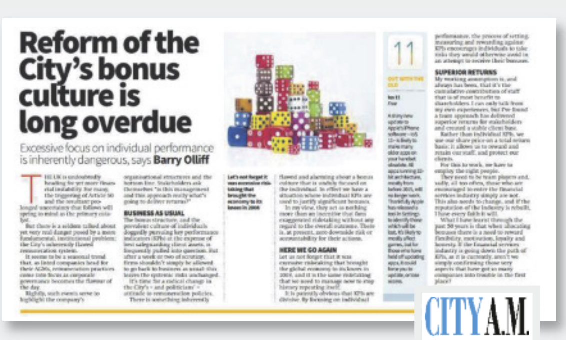
Over the past decades as our industry has developed, while the volatility of profits has not changed, both the security of employees and their remuneration has altered, effectively transferring those risks to Shareholders (and sometimes to tax payers). In contrast, the components of our Remuneration (i.e., 30% profit share participation for employees) have not been reset in 25 years. How many other Financial Services firms can say the same?

Within a CLIG and CLIM perspective we understand that Emerging Markets stock market and currency volatility are with us to stay.

We also understand that our Shareholders (who own the business) will be much better off if we work within a team environment. By definition we cannot, or would find it extraordinarily difficult to, reward employees within a team environment via individual KPIs. To propose KPIs would effectively pit one employee against another when the competition is actually outside the firm.

COVERAGE HIGHLIGHTS





Salary and remuneration comparison

We thought that we would steal a march on legislation to be introduced by the Department for Business, Energy and Industrial Strategy by including information that compares my salary / remuneration with average staff salaries / remuneration.

While some of this information is available elsewhere within the Accounts this format is significantly more succinct.

	2008 Total £'000	CEO/ employee multiple	2009 Total £'000	CEO/ employee multiple	2010 Total £'000	CEO/ employee multiple	2011 Total £'000	CEO/ employee multiple	2012 Total £'000	CEO/ employee multiple	2013 Total £'000	CEO/ employee multiple	2014 Total £'000	CEO/ employee multiple	2015 Total £'000	CEO/ employee multiple	2016 Total £'000	CEO/ employee multiple	2017 Total £'000	CEO/ employee multiple
CEO salary	175	4	213	4	219	4	228	4	226	4	229	4	241	4	228	4	245	4	283	4
Employee average salary	43		49		54		59		61		62		67		63		65		73	
CEO remuneration	1,112	12	740	9	1,125	11	1,178	10	981	9	548	6	660	7	773	7	729	7	999	8
Employee average remuneration	96		79		101		114		107		94		97		105		101		121	
Average Headcount (excluding directors)	46		51		58		64		73		73		67		67		68		68	
Average GBP/USD exchange rate	2.01		1.64		1.6		1.58		1.59		1.57		1.62		1.57		1.48		1.27	

Note: Remuneration for the purpose of this table includes salary and profit share only, based on average headcount and spend each year.

CLIG KPIs

Elsewhere in this annual report you will find our response to a requirement that UK Listed Companies select KPIs via which they can be measured.

Unlike internal KPIs which we consider to be divisive, we continue to embrace corporate KPIs as we believe the competition is with other companies that undertake similar work to CLIM and CLIG.

For the past few years we have used as our key KPI a comparison of the Total Return of our Share Price compared with selected peers since CLIG was listed in 2006. This remains the main measurement tool that we believe best reflects the relative success of our company in the marketplace.

In an attempt to determine the most relevant drivers or components of what contributes to our main KPI, we have added six measures that we believe allow Shareholders to determine progress. These could be considered leading indicators in terms of potentially determining the value of CLIG Shares.

We have selected funds under management, operating margin, cost/income ratio, investment performance, client longevity and staff longevity as the six additional KPIs. These are referenced on pages 20 to 24.

My intended CLIG Share sales

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

As I approach retirement on 31st December 2019, I have announced that at specific levels of CLIG's Share Price I will sell shares.

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

Previous sales of 500,000 have been made at 50p increments and while as a principle this has worked, 500,000 is a large number of Shares and also seems to act – for a period of time – as a ceiling for the CLIG Share Price.

As a result, going forward, my intention is going to change from selling 500,000 Shares at 50p increments to selling 250,000 Shares at 25p increments.

This will mean that having recently sold 500,000 Shares at 400p, my next sale will be 250,000 at 425p subject to close periods etc.

Information for Shareholders

We spend a lot of time providing information to Shareholders that we believe provides them with relevant data to make investment decisions.

Some of this information relates to our Strategy while some of it is provided in an attempt to demystify our business.

As an example we provide on our web site monthly information regarding FuM (£ and US$), Income and Expenses.

You are very welcome to join our Investor Afternoon on 23rd October. For further details of the event, and to register your interest, please email investorrelations@citlon.co.uk

Barry Olliff
Chief Executive Officer
14th September 2017

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.

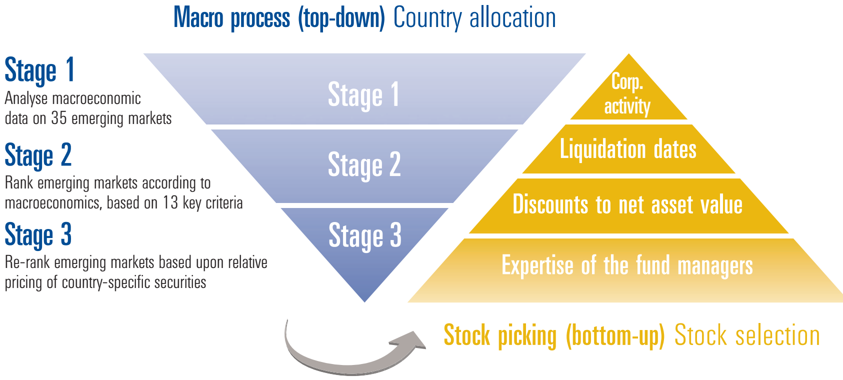
In addition, our global trading platform and knowledge of closed-end funds has been extended to meet client demand. We now manage funds applying our investment process to Developed markets, Frontier markets, Global Tactical Asset Allocation and Private Equity via closed-end funds.

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

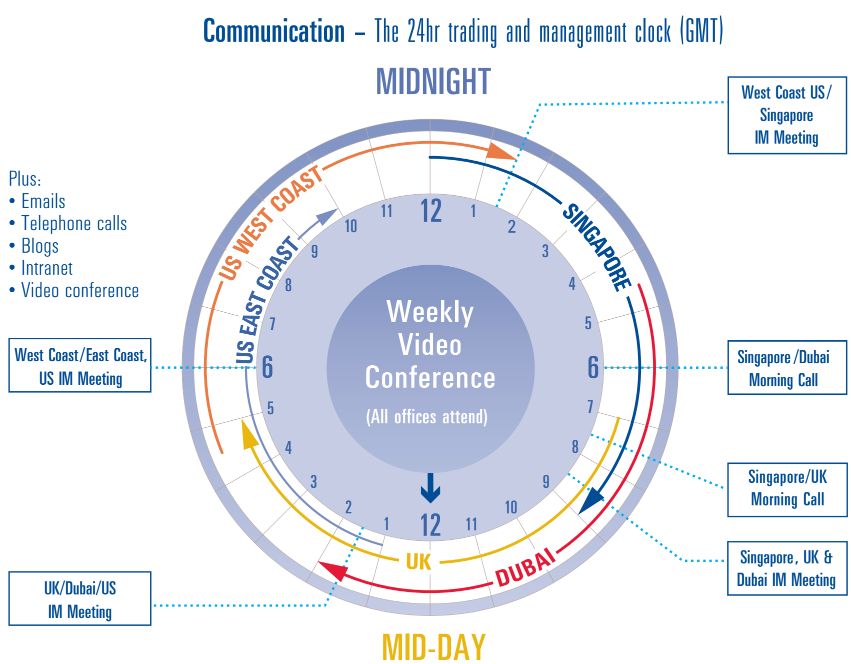
We have developed and nurtured a team investment process which does not rely on 'star' fund managers, but rather upon analytical procedures that can produce repeatable and sustainable first or second quartile performance versus our peers.



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 13 years.

The present Management Team at CLIM have an average tenure of 12 years. The members of the CLIM Senior Management Team are the executive Directors plus: Ashleigh Simms, Head of Compliance; Michael Edmonds, Head of the Developed/GTAA strategy; Jeff Gill, Head of the Frontier Strategy; Ted Sevick, Portfolio Manager – EM CEF; Alan Hoyt, Head of IT; Anthony Inverso, Operations Manager; and Courtney Short, Head of US Client Servicing.

OUR STRATEGY AND OBJECTIVES

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

THE CLIENTS
(PAY THE BILLS)

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

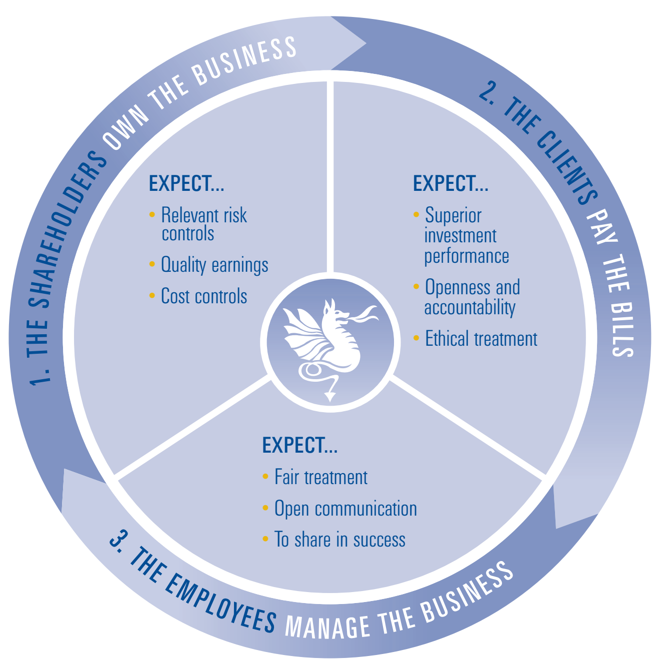
THE EMPLOYEES
(MANAGE THE BUSINESS)

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

THE SHAREHOLDERS
(OWN THE BUSINESS)

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

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



OUR STRATEGY AND OBJECTIVES

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

We address this under the following 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

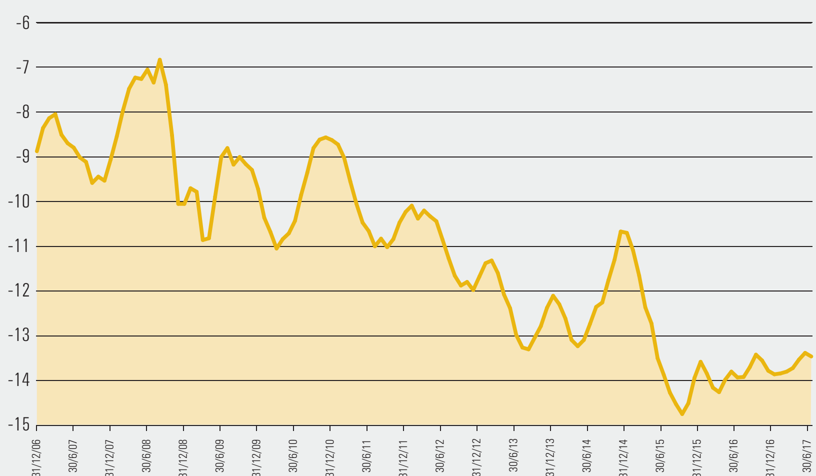
6. CORPORATE CITIZENSHIP

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 2017



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 approximately 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.

Overview
Strategic report
Corporate governance
Financial statements
Shareholder information

OUR STRATEGY AND OBJECTIVES

CONTINUED

2. Retain staff

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

A testament to our approach is that CLIM's 13 fund managers have an average tenure of over 13 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 2008 to 2017.

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

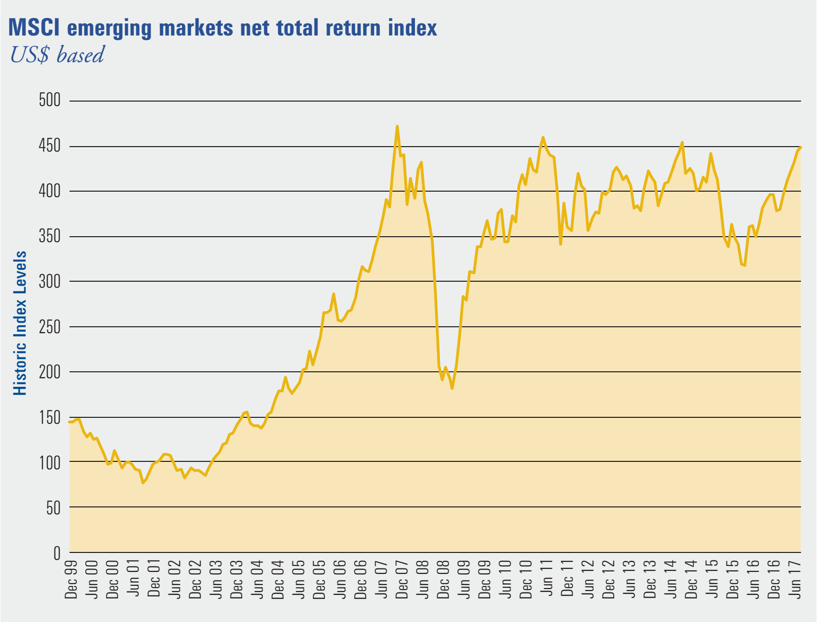
Remuneration costs for Directors and Employees from 2008 to 2017

	2008 Total £'000	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(6) Total £'000	12/13 % change	2014 Total £'000	13/14 % change	2015 Total £'000	14/15 % change	2016 Total £'000	15/16 % change	2017 Total £'000	16/17 % change
Executive																			
Barry Olliff (1)	1,112	740	-33%	1,125	52%	1,178	5%	981	-17%	548	-44%	660	20%	773	17%	729	-6%	999	37%
D F Allison (2)	579	354	-39%	538	52%	648	20%	565	-13%	282	-50%	–	–	–	–	–	–	–	–
T W Griffith (1)	330	254	-23%	384	51%	466	21%	414	-11%	326	-21%	334	2%	459	37%	473	3%	653	38%
C M Yuste (1) (3)	330	254	-23%	383	51%	465	21%	413	-11%	325	-21%	334	3%	458	37%	88	-81%	–	–
V S Tannahill (4)	–	–	–	–	–	–	–	–	–	69	–	–	–	–	–	–	–	–	–
M D Dwyer (5)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	317	–	619	95%
T A Rodrigues (5)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	178	–	474	166%
Executive Directors	2,351	1,602	-32%	2,430	52%	2,757	13%	2,373	-14%	1,550	-35%	1,328	-14%	1,690	27%	1,785	6%	2,745	54%
Employees	4,444	4,031	-9%	5,851	45%	7,297	25%	7,822	7%	6,845	-12%	6,504	-5%	7,006	8%	6,863	-2%	8,205	20%
Total	6,795	5,633	-17%	8,281	47%	10,054	21%	10,195	1%	8,395	-18%	7,832	-7%	8,696	11%	8,648	-1%	10,950	27%
Average head count																			
Executive Directors	4	4		4		4		4		4		3		3		4		4	
Employees	46	51		58		64		73		73		67		67		68		68	
Percentage of aggregate spend																			
Executive Directors	35%	28%		29%		27%		23%		18%		17%		19%		21%		25%	
Employees	65%	72%		71%		73%		77%		82%		83%		81%		79%		75%	
Director average	588	401	-32%	608	52%	689	13%	593	-14%	388	-35%	443	14%	563	27%	446	-21%	686	54%
Employee average	96	79	-18%	101	28%	114	13%	107	-6%	93	-13%	97	4%	104	7%	100	-4%	120	20%
Profit before tax	10,695	5,384	-50%	10,379	93%	13,150	27%	11,462	-13%	10,160	-11%	7,242	-29%	8,791	21%	7,796	-11%	11,590	49%
Dividend per share	19.5p	15.0p	-23%	22.0p	47%	24.0p	9%	24.0p	0%	24.0p	0%	24.0p	0%	24.0p	0%	24.0p	0%	25.0p	4%

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

2. Retain staff

(continued)



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.

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

A. We are pleased to say that c.60% of staff have elected to participate both this financial year and the year ending 30th June 2018.

OUR STRATEGY AND OBJECTIVES

CONTINUED

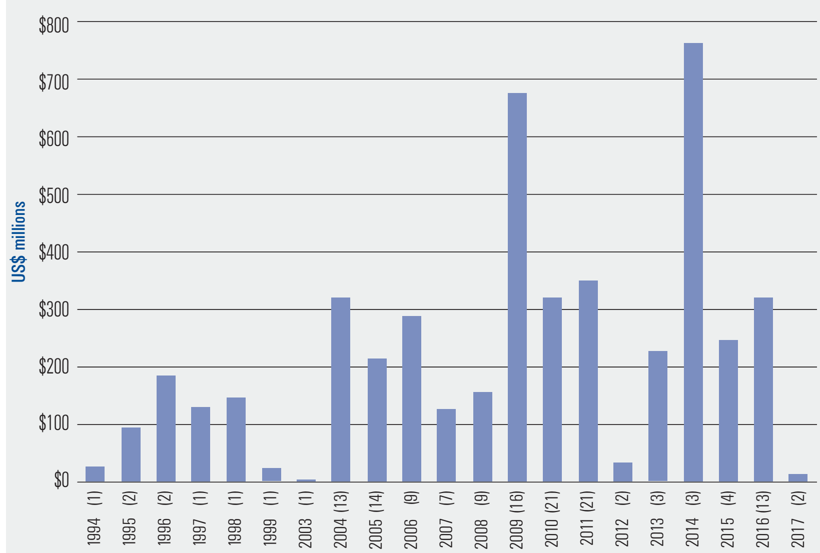
3. Increase FuM from long-term institutional investors

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.

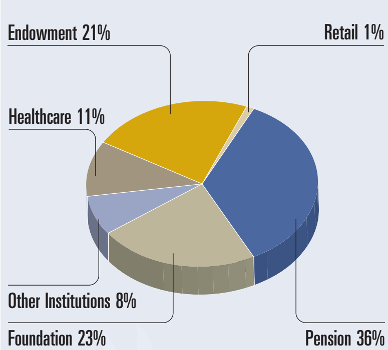
We have c.150 institutional clients, many of whom have been clients of CLIM for many years. The graph below shows the length of time that clients have been invested with us.

Client market value as of 30th June 2017



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

CLIENTS BY SECTOR



Ten largest clients by market value

	Client	Market value 30th June 2017	Inception date
1	Foundation	$660,726,706	May 2014
2	Public Pension	$402,031,430	September 2009
3	Public Pension	$221,255,158	October 2013
4	Public Pension	$184,653,501	April 2016
5	Endowment	$179,445,932	June 2004
6	Endowment	$173,437,666	November 1996
7	Corporate Pension	$136,891,981	June 2006
8	Corporate Pension	$131,109,660	March 1997
9	Healthcare	$130,880,551	February 2009
10	Public Pension	$122,001,533	February 2015
	Total	**$2,342,434,118**	

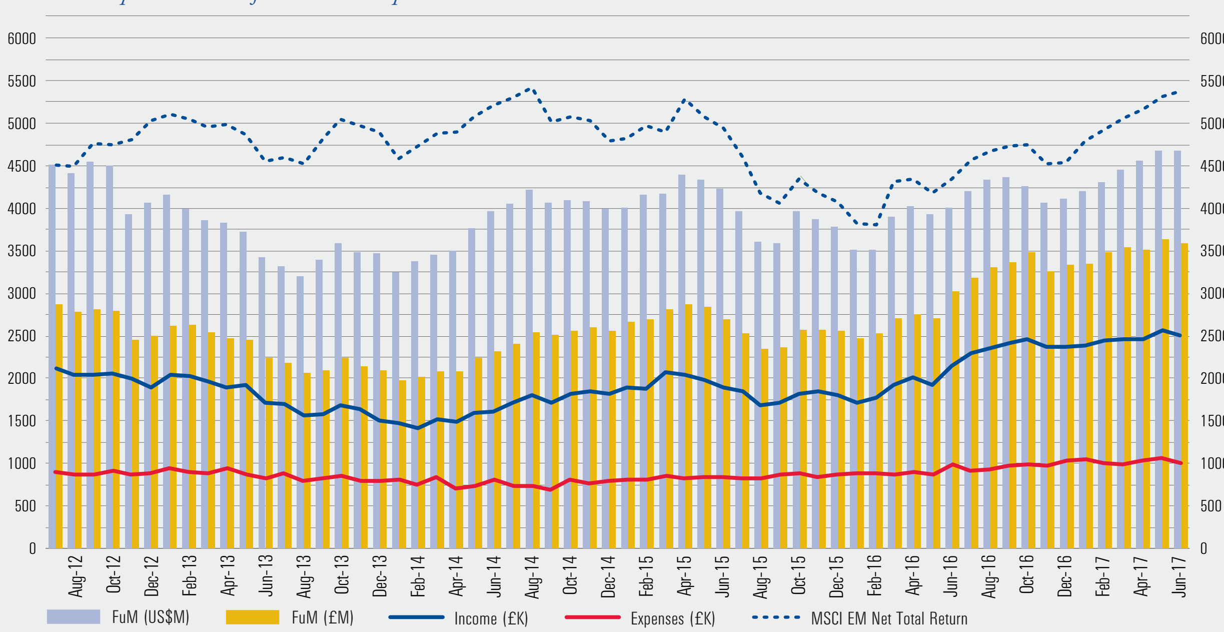
The ten largest clients are all North American.

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

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



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

- Starting point Current FuM (June 2017).
- Net increase in 2017/2018: emerging market CEF strategy US$250m, straight-lined to June 2018.
- Net increase in 2017/2018: non-emerging market CEF strategies US$250m, straight-lined to June 2018.
- 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 23% for 2017/2018.
- Increase in overhead: 3%.
- EIP charge: 2%.
- Exchange rate assumed to be £1/US$1.3 for entire period.
- Number of CLIG Shares in issue (26.9m) less those held by the ESOP Trust (1.5m) as at 30th June 2017.

OUR STRATEGY AND OBJECTIVES

CONTINUED

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

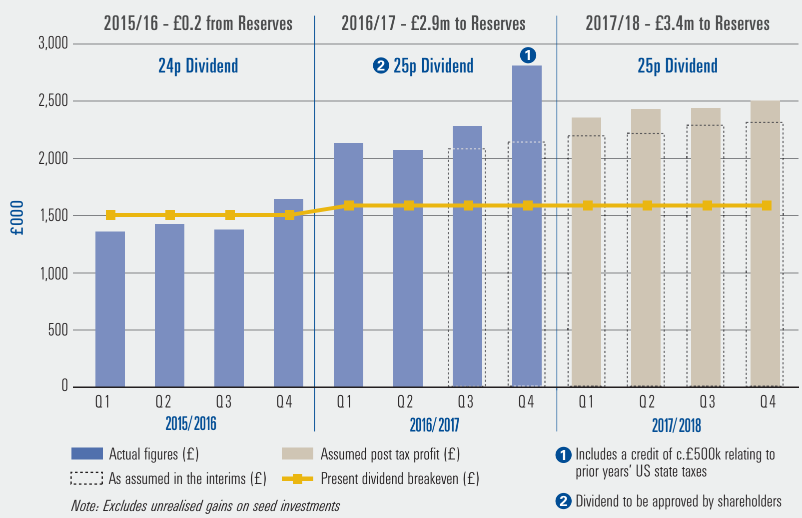
(continued)

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

It should be noted that FuM have risen from US$4.7 billion at the point of putting together this Template, to US$4.9 billion at the time of writing.

Dividend cover

Actual and assumed over three financial years



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

Dividend policy

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

- This is not a long-term policy. Rather it will be reviewed after five years and every five years thereafter.
- This policy specifically takes 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 continue to be applied flexibly and the annual dividend will approximate to this cover on a rolling five year average.
- The Board will take into account both the CLIG budget for the next year and market outlook when determining the current year's dividend.

5. Keep costs down

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

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

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

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

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

6. Corporate citizenship

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

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

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

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 $178 million in our core emerging market strategies, which were countered by outflows of $484 million, leading to net outflows of $306 million as investors rebalanced their portfolios into the significant emerging markets equity gains.

Fundraising in the diversification products resulted in inflows of $141 million and outflows of $115 million, leading to net inflows of $26 million. Diversification products continued to increase as a percentage of Group Assets Under Management (AUM) at 10%, compared with 9.1% last year. Significant progress occurred over the past year in raising the profile of the extension CEF products with institutional consultants and plan sponsors. As a result, an additional $128 million of inflows into the diversification products during the new financial year are confirmed.

Total in flows – out flows

Products

A combination of strong performance and additional AUM into our diversification products resulted in assets growing in these strategies by 33% over the year.

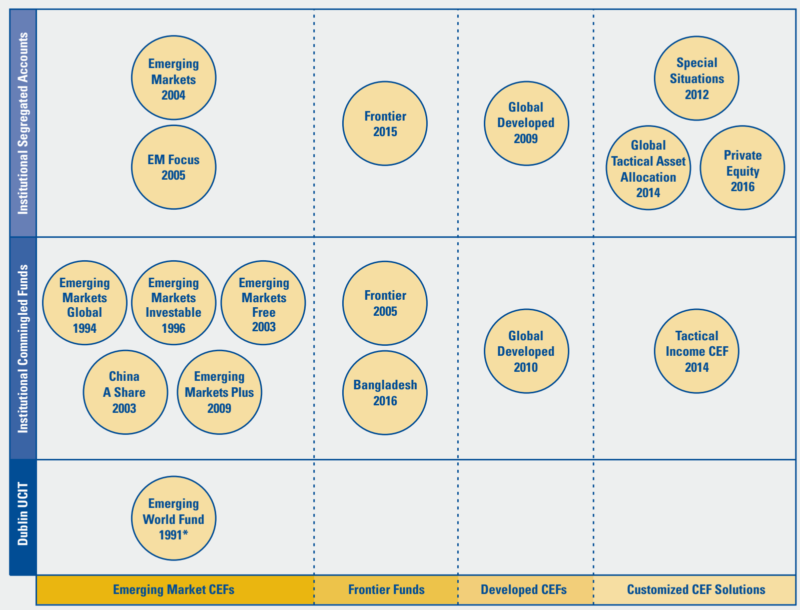
The Global Tactical Asset Allocation Strategy encompasses a variety of asset classes via closed-end funds, which is desirable to asset allocators and other investors looking for exposure to a specific market. This strategy adopts a "go-anywhere" approach and is managed as part of the Developed Closed-End Fund strategy team. While this is a separate team from the team managing client assets in the emerging markets, both teams use the same methodology and internal resources. Both taxable and tax-exempt products are available.

The Developed Markets CEF Strategy utilises our experience with Closed-End Funds in our core Emerging Markets strategy to provide exposure to global developed markets.

The Frontier Emerging Markets CEF Strategy 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



*Formerly Emerging Markets Country Trust

Performance

Global composite investment returns for the Emerging Market Closed-End Fund strategy for the rolling one year ending 30th June 2017 were 23.2% vs 23.7% for the MSCI Emerging Markets Index in USD and 22.7% for the S&P Super BMI Index in USD terms.

Global composite investment returns for the Developed Market Closed-End Fund strategy for the rolling one year ending 30th June 2017 were 32.6% vs. 20.5% for the MSCI ACWI ex US in USD.

Composite investment returns for the Frontier Emerging Market Closed-End Fund Strategy for the rolling one year ending 30th June 2017 were 24.4% vs 26.0% for the S&P Frontier EM 150 benchmark in USD.

Outlook

Marketing efforts will continue to be targeted at investment consultants, foundations, endowments and pension funds. We will also continue to introduce our capabilities to family offices, outsourced CIO firms and alternative consultants. Increased interest in our Developed Markets CEF strategy during the year provides a positive outlook. 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.

KEY PERFORMANCE INDICATORS

We have revised our approach to Key Performance Indicators ("KPIs") to be more in line with industry practice.

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

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

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

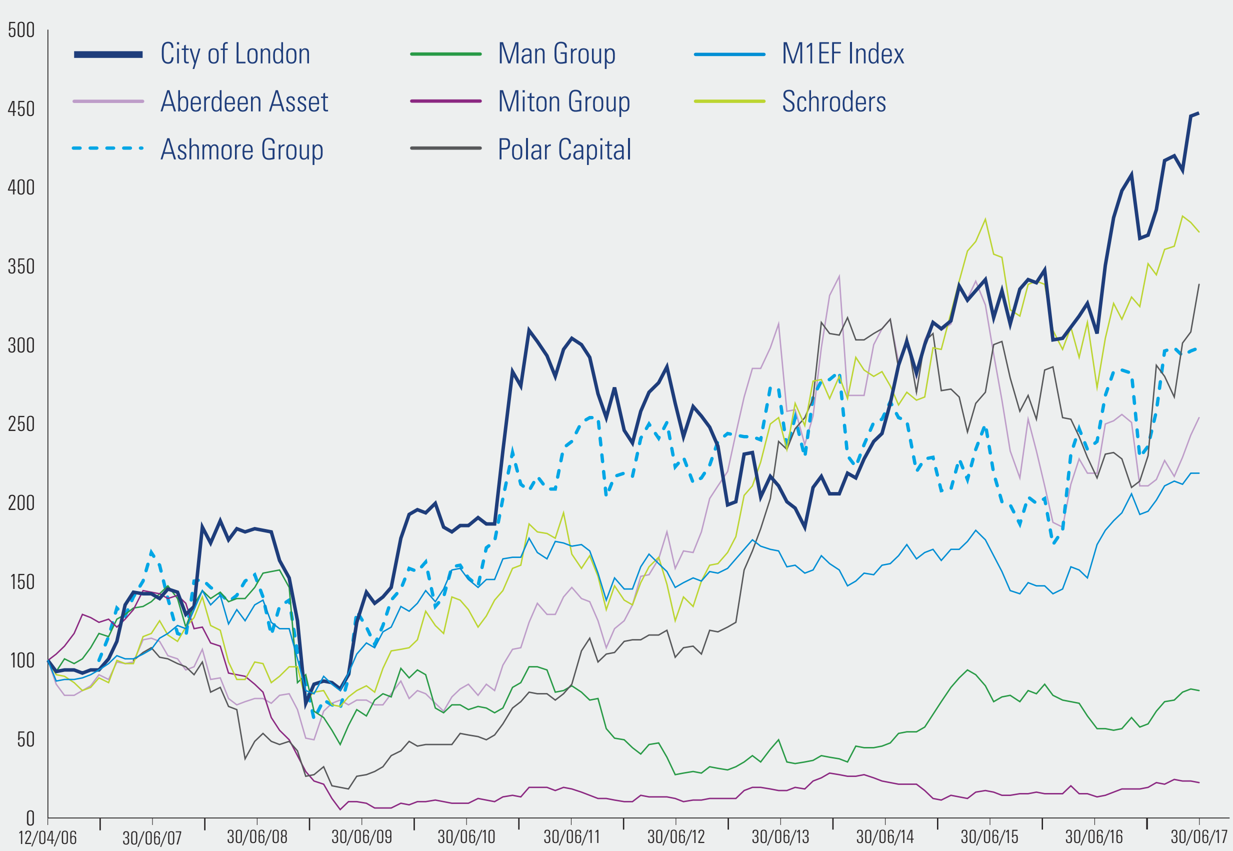
Furthermore, whilst we can talk about investment performance, long-term clients, stability of staff, levels of the stock market, business plans, budgets and cost savings, these influences do not necessarily automatically come through to the bottom line in terms of the measurement of shareholder value.

TOTAL SHAREHOLDER RETURN

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

Below is a graph of our London listed peers with significant Emerging Markets exposure, rebased to CLIG's listing date, 12th April 2006. CLIG has not only exceeded the MSCI Emerging Markets T/R Index virtually since listing but also its London listed peers for the last two years.

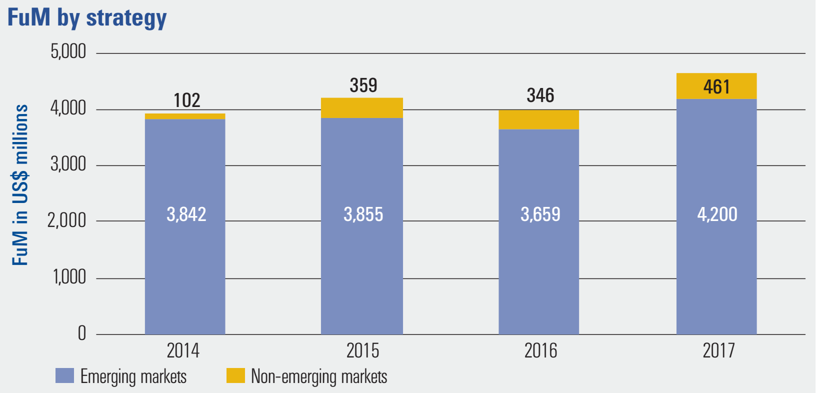
Listed London peer group with significant Emerging Markets exposure (all values in GBP)



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

1. FUM & DIVERSIFICATION

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



Overall FuM are up 17% this year mainly due to strong market performance.

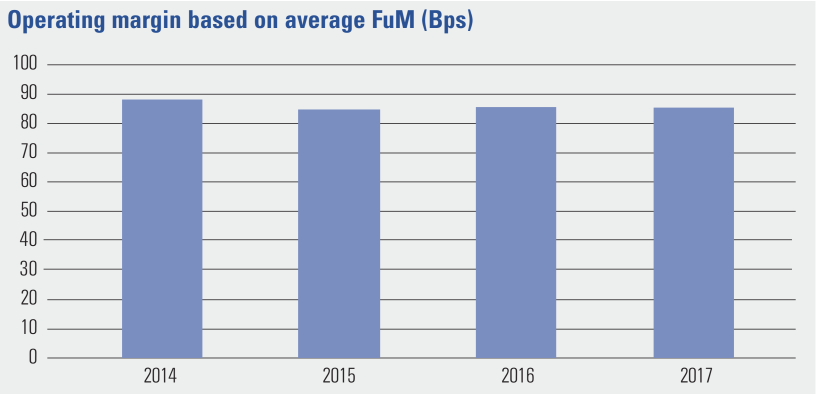
Investment performance was broadly in line with relevant benchmark indices over the period for Emerging Market mandates. Amongst the diversification products, performance was well above relevant benchmark indices in Developed and GTAA mandates, and Frontier was marginally negative.

Our non-emerging market strategies are gaining traction and are now close to US$500 million, up 350% since 2014.

2. OPERATING MARGIN

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

*Referenced on Page 28



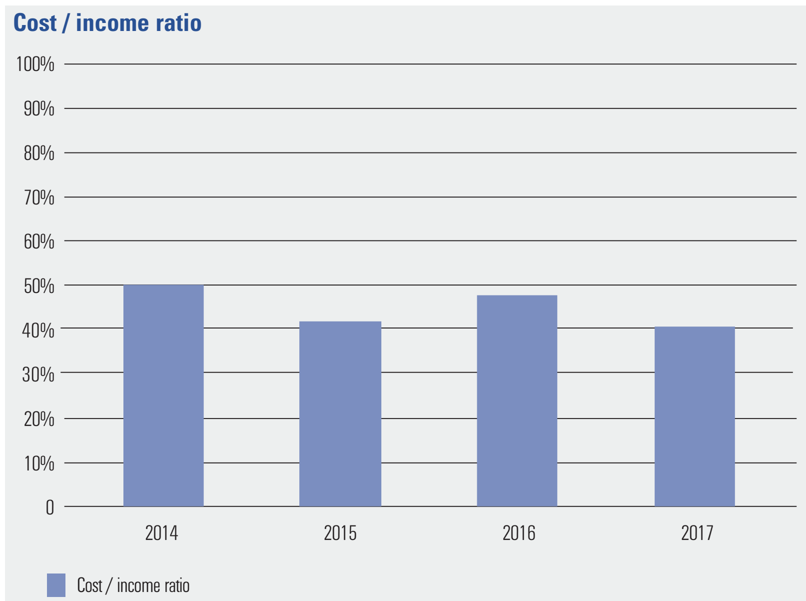
The above chart shows the annual net fee income measured as a percentage return on the average annual FuM. The return has been reasonably consistent over the last three years at around 85 basis points.

KEY PERFORMANCE INDICATORS

CONTINUED

3. COST / INCOME RATIO

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



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

In absolute terms, while overheads are up 11% year on year mainly due to sterling weakening against the US dollar plus IT infrastructure upgrades, net fee income is up 31% year on year, benefiting from sterling weakening and strong performance in the emerging markets.

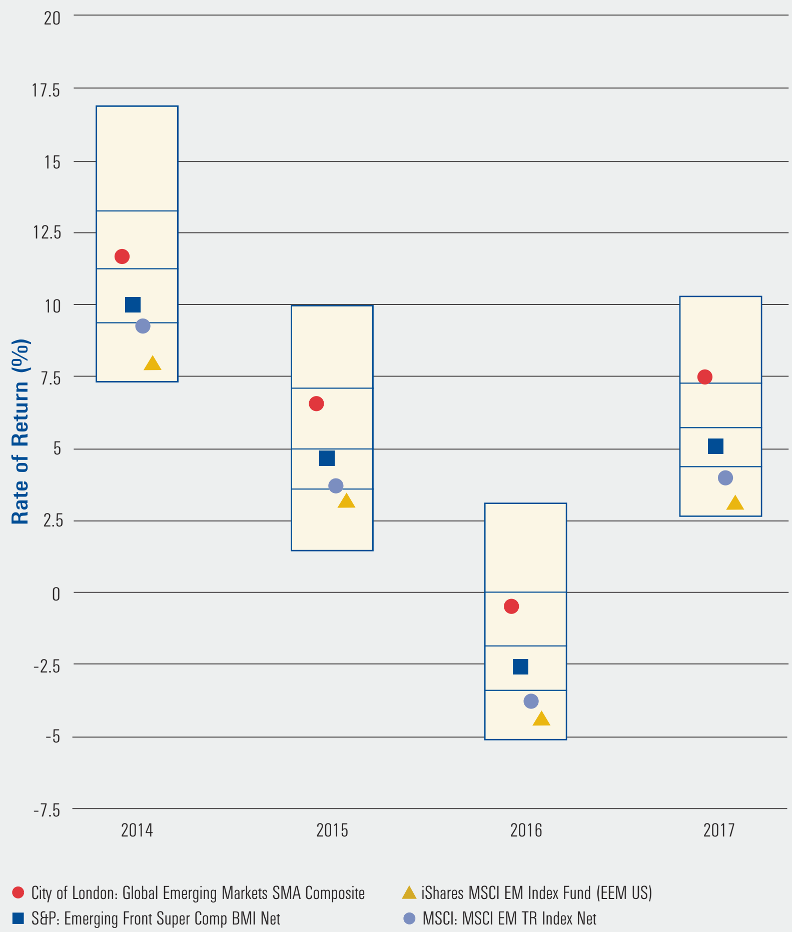
4. INVESTMENT PERFORMANCE

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

Recent investment performance has been good particularly when taking into account a widening trend in our SWAD and the small cap bias that we are exposed to via the CEF's in which we invest.

Global Emerging Markets SMA Composite 5 Year Annualised Returns

*According to eVestment Alliance**



*94% of the universe has been updated through to 30th June 2017

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

Past performance is no guarantee of future results.

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

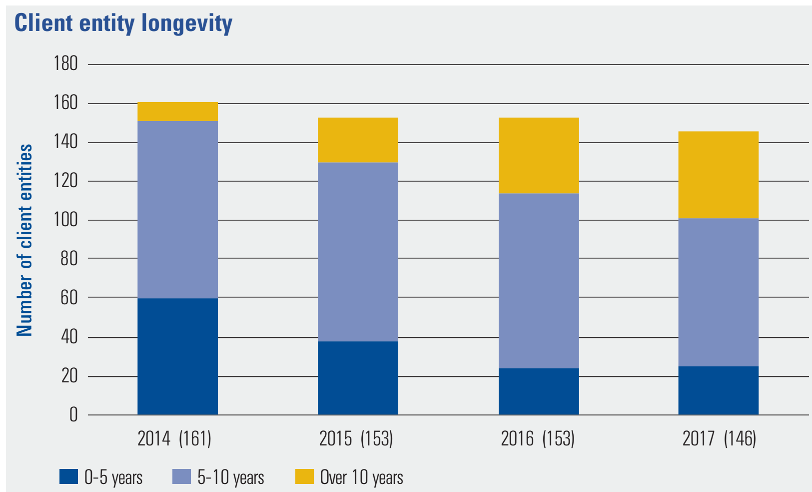
Note: Returns are gross of fees for relevant CLIM fund and peer group.

KEY PERFORMANCE INDICATORS

CONTINUED

5. CLIENT LONGEVITY

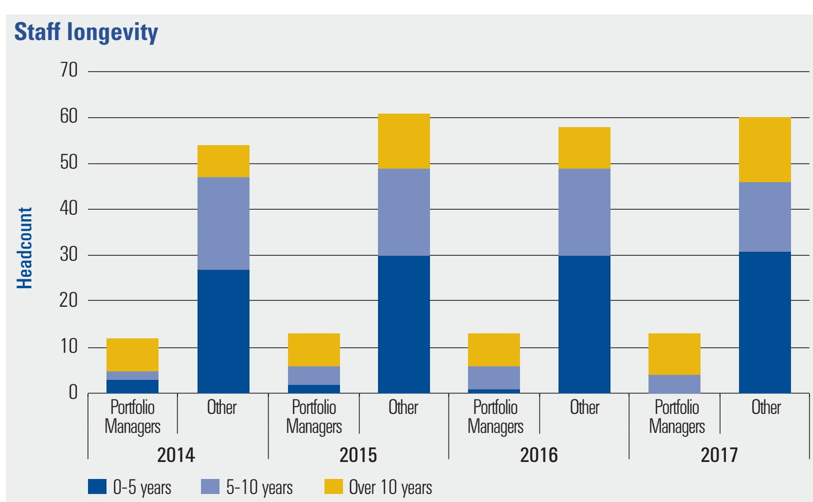
We find that stability of investment performance equates to stability of clients, but in addition there needs to be a belief amongst clients that both our investment process will be maintained and also that our employees will remain in place.



As referenced in the CEO Statement we have had an active client retention program in place which has both educated and ensured that our clients understand even more about our investment process.

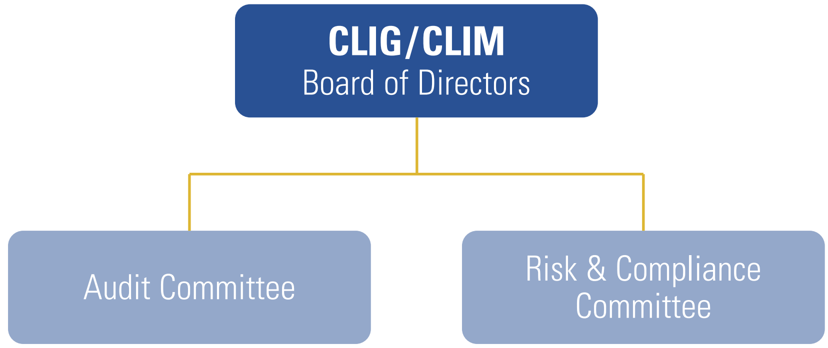
6. STAFF LONGEVITY

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



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

RISK MANAGEMENT



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

Each department/line of business reviews its risks and business processes and these are assigned both an inherent and residual risk rating, as whilst we cannot eliminate all risk, our aim is to proactively identify and manage those risks that have been identified.

The Board has established a Risk and Compliance Committee ("the RCC") which is chaired by the Head of Compliance. The other members of the RCC are the four executive Directors, the US Chief Compliance Officer and a representative covering US Corporate Governance.

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

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

The RCC reports to the Board via the Head of Compliance on a quarterly basis and the Head of Compliance meets with the Chairman of the Group monthly.

Overview
Strategic report
Corporate governance
Financial statements
Shareholder information

RISK MANAGEMENT

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. The Head of Compliance attends the quarterly Board meetings and, since the latter half of this financial year, the Audit Committee meetings.

Key risks

The principal risk that the Group faces is the potential for loss of funds under management as a result of poor investment performance, client redemptions, breach of mandate guidelines 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 product diversification strategy, as described in the Business Development review on pages 18 to 19 which should further mitigate this risk. In addition to the above key business risk, the Group has outlined what it considers to be its other Key Risks, including the controls in place and any mitigating factors.

Principal Risk	Controls / Mitigation
Key Man Risk	
Risk that key staff across the business leave / significant reliance on a small number of key staff members.	Team approach, internal procedures, knowledge sharing. Remuneration packages reviewed as needed to ensure talent / key staff is retained.
Technology, IT / Cybersecurity & Business Continuity Risks	
Risk that technology systems and support are inadequate or fail to adapt to changing requirements; systems are vulnerable to third-party penetration or that the business cannot continue in a disaster.	IT monitors developments in this area and ensures that systems are adequately protected. Recent increase in IT spend to upgrade servers, telephony etc., which is constantly reviewed. The firm actively maintains a Disaster Recovery ("DR") plan. All offices maintain backups of all local servers, applications and data. The US replicates its backup to the UK and vice versa. Employees across its five offices are able to work remotely, accessing information and maintaining operations.

Principal Risk	Controls / Mitigation
Regulatory and Legal Risk	
Risk of legal or regulatory action resulting in fines, penalties, censure or legal action arising from failure to identify or meet regulatory and legislative requirements in the jurisdictions in which the Group operates, including those of being a listed entity on the London Stock Exchange. Risk that new regulation or changes to the interpretation or implementation of existing regulation affects the firm's operations and cost base.	Compliance monitors financial services regulatory developments – both new regulations as well as changes to existing regulations that impact the Group. Implementation is done as practicably as possible taking into account the size and nature of the business. CFO & finance team keep abreast of any changes to listing rules and accounting standards that may have an impact on the Group. Both Compliance & Finance receive regular updates from a variety of external sources including law firms, consultancies etc.
Material Error / Mandate Breach	
Risk of a material error or investment mandate breach occurring.	Mandate guidelines are coded (where possible) into the order management system and monitored on a daily basis by Investment Management and Compliance.

In addition, there are a number of less significant financial risks outlined in note 25 on pages 85 to 90.

Overview
Strategic report
Corporate governance
Financial statements
Shareholder information

FINANCIAL REVIEW

Consolidated income statement

Funds under Management (FuM) as an average for the year was US$4.3 billion compared to US$3.8 billion in 2015/2016 (based on the month end values), an increase of approximately 13%, due to positive market movements offset in part by net outflows during the financial year of US$0.3 billion. The Group's gross revenue comprises management fees charged as a percentage of FuM and is up year on year by 28% to £31.3 million (2016: £24.4 million). The principal reason for the significant increase in revenue, compared to the rise in FuM, is due to sterling weakening against the US dollar. The average USD/GBP rate this year was 1.27 compared to 1.48 last year.

Commissions payable of £1.4 million (2016: £1.5 million) relates to fees due to third party marketing agents for the introduction of clients. The contract to which all but a small proportion of these commissions relate expired in October 2010. Under the agreement, commission is based on a period of ten years from the date of the client's initial investment. As a guide, the table presented illustrates the rate of the commission run-off relating to the expired contract, based upon FuM and market levels at the year end.

Marketing commission run-off (based on FuM at 30th June 2017)

Financial year	£m (@ $1.3/£1)
2017-18	1.2
2018-19	0.8
2019-20	0.2

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

The Group's net fee income, after custody charges of £0.9 million (2016: £0.7 million), is £29.0 million (2016: £22.2 million). As a weighted average percentage of FuM, net fee income is currently around 84 basis points compared to 86 basis points at the end of last year.

Administrative expenses of £17.5 million (2016: £14.4 million) includes: the 30% of operating profit that forms the profit-share pool, £5.5 million including payroll taxes (2016: £3.7 million) plus the charge this period of the Company matching the employees participation in the new Employee Incentive Plan (EIP) of £0.1 million (2016: n/a), representing 0.6% of pre-bonus operating profit which is within the 5% limit approved by shareholders. The total anticipated cost to the Company for matching the employees' participation is c.£0.6 million, 3.5% of pre-bonus operating profit, which under IFRS2 is charged to the income statement over the period from employee election to vesting.

Stripping these variable costs out leaves a core overhead of £11.9 million (2016:£10.7 million), representing a cost-income ratio of 41% (arrived at by comparing core overhead to net fee income).This is an improvement on last year's 48%, due to the growth in funds under management. The largest component of core overhead continues to be Human Resource (HR) related at £7.5 million (2016: £6.9 million), the year on year increase attributable to a weaker pound, as the mid-year employee salary increase was offset by other HR savings.

Interest receivable and similar gains of £0.1 million includes bank interest on deposits, realised gains on investments, fair value gains / losses on investments and an estimated interest charge in relation to prior years' US state taxes. Under IFRS10, two of the funds that the Group manages are classified as subsidiaries due to the Group's controlling interest. During the year one of the funds liquidated resulting in a realised gain of £0.2 million and the other attracted a significant tactical investment from an EM client. At the point the fund gained third party funding it ceased to be a controlled entity and is no longer consolidated as a subsidiary. This resulted in a reversal of the cumulative gain of the non-controlling interest of £0.1 million. Further fair value gains or losses on the Group's investment in this fund are accounted for through Comprehensive Income.

The net of all the above results in a pre-tax profit of £11.6 million (2016: £8.0 million).

Corporation tax this year amounts to £2.4 million, an effective rate of 21% compared to 27% last period (2016: £2.1 million). The tax charge includes an estimated refund of £0.4 million in respect of prior years, which relates to the reassessment of US state taxes following a comprehensive review commissioned during the year. Looking ahead to next year, all things being equal, and based on announced tax rates, it is expected that the Group tax rate should equate to c.23% of profits.

Consolidated statement of financial position and statement of changes in equity

The Group's financial position continues to be strong and liquid with £13.9 million in cash, representing 77% of net assets (2016: £10.2 million, 72%).

As mentioned earlier in the income commentary, the Group's seed investments were consolidated last year due to the Group's controlling interest. One fund liquidated and the other, the International Equity CEF, gained a significant third party investor during the year under review which meant the Group no longer had a controlling interest. This accounts for the £2.2 million reduction in other financial assets since last year, with £0.9 million representing the fair value of the liquidated fund, £0.6 million of non-controlling interest and £0.7 million being the fair value of the International Equity CEF now reported as an "available-for-sale financial asset". The fair value of this fund at 30th June 2017 was £0.9 million and the increase in value is reflected in the fair value reserve.

Other components of non-current assets are: property and equipment of £0.6 million (2016: £0.4 million), capitalised software licences of £0.4 million (2016: £0.2 million) representing an increased investment in IT systems and equipment of £0.5 million offset by amortisation of £0.1 million, and a deferred tax asset of £0.2 million (2016: £0.1 million) which 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 are profit of £9.3 million (2016: £5.8 million) and the dividends paid during the year of £6.0 million (2016: £6.0 million). The dividend comprised the 16p final dividend for 2015/16 plus the 8p interim dividend for the current year. The Group's dividend policy is set out on page 16.

During the year, the Group took the opportunity to use some of its surplus cash to fund the buyback and cancellation of 35,000 Company shares at £3.65. Directors and employees exercised 424,278 Employee Benefit Trust (EBT) held options, raising £1.1 million. The EBT currently holds sufficient shares to satisfy the EIP awards due at the end of October 2017.

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

Currency exposure

The Group's revenue is almost entirely US dollar based whilst its costs are incurred in US dollars, sterling and to a lesser degree Singapore dollars and UAE dirhams. The US dollar/sterling exchange rate started and ended the year at around 1.30 and reached a low during the year of 1.20. The table opposite aims to illustrate the effect of a change in the US dollar/sterling exchange rate on the Group's post-tax profits at various FuM levels, based on the assumptions given, which are a close approximation of the Group's current operating parameters. You can see from the illustration that a change in exchange rate from 1.20 to 1.30 on FuM of US$4.5 billion reduces post-tax profits by £1.0 million.

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

FX/Post-Tax Profit Matrix

Illustration of US$/£ rate effect:

FuM $bn	3.5	4.0	4.5	5.0	5.5
US$/£			Post-Tax, £m:		
1.20	6.4	8.3	10.1	11.9	13.8
1.25	6.1	7.8	9.6	11.3	13.1
1.30	5.7	7.4	9.1	10.8	12.5
1.35	5.4	7.0	8.6	10.3	11.9
1.40	5.1	6.7	8.2	9.8	11.4

Assumptions:

1 Average net fee 84 bp's
2 Annual operating costs £5m plus US$8m plus S$1m (£1 = S$1.8)
3 Profit share 30%
4 EIP 2%
5 Average tax of 23%

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.

To a degree this provides a natural hedge against the movement in the US dollar given that as the US dollar weakens (strengthens) against these underlying currencies the value of the FuM in US dollar terms rises (falls).

The Group's currency exposure also relates to its non-sterling assets and liabilities, which are again to a great extent in US dollars. The exchange rate differences arising on their translation into sterling for reporting purposes each month is recognised in the income statement. In order to minimise the foreign exchange impact the Group monitors its net currency position and offsets it by forward sales of US dollars for sterling. At 30th June 2017 these forward sales totalled US$4.8 million, with a weighted average exchange rate of US$1.28 to £1 (2016: US$4.3 million at a weighted average rate of US$1.45 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, outlined in the Risk Management Report on pages 25 to 27.

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

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

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

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

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

Group policies are focused on five key areas:

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

1. Workplace

Employee Welfare

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

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

Health and Safety

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

Gender Diversity

2017	Female	Male
Directors	1	7
Senior managers	1	4
Middle management	8	8
All other employees	18	30

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.

At 30th June 2017 the gender ratio at Board level was 13% female to 87% male (2016: 13% to 87%). This ratio is now 25% and 75% respectively following the appointment of Susannah Nicklin on 1st July 2017, and the retirement of Allan Bufferd.

Of our 73 employees, 38% are female (2016: 38%), including 20% of senior management (2016: 20%), and 50% of middle management (2016: 47%).

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.

Overview
Strategic report
Corporate governance
Financial statements
Shareholder information

CORPORATE AND SOCIAL RESPONSIBILITY POLICY

CONTINUED

1. Workplace

(continued)

Learning and Development

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

Our latest initiative is the CLIG Security Education Program (CSEP), a multi-faceted Cyber Security training program which includes online courses and videos via a web-based portal to allow employees to complete their training from anywhere. There will also be a series of short in-house training sessions to raise employees' awareness and knowledge on this and other issues relevant to the business.

We recognise the value of cross-training across our offices and regularly transfer employees to other offices to obtain experience. 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 our activities as an investment manager have a relatively modest direct environmental impact, we recognise that society's collective challenge to minimise environmental risks necessitates a pro-active stance to measure and, wherever commercially possible, improve the overall environmental performance. In addition to compliance with the regulations for all listed UK companies to disclose their greenhouse gas emissions as set out in detail below, the Group endeavours to limit its carbon footprint through a series of group-wide initiatives with an aim to reduce absolute levels of emissions and waste volumes:

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

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

2. Environment
(continued)

Mandatory Carbon Reporting

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

Total CO_2e Emissions

	2016/17		2015/16	
	Tonnes of CO_2e	Intensity ratio	Tonnes of CO_2e	Intensity ratio
Scope 1	–	–	–	–
Scope 2	165.6	2.30	165.3	2.30
Purchased electricity	*165.6*		*165.3*	
Scope 3	223.8	3.11	386.4	5.37
Business air travel	*210.7*		*373.7*	
Electricity transmission and distribution losses	*13.1*		*12.7*	
Total	389.4	5.41	551.7	7.67

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.

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.

2016/2017 Highlights include:

- Food Bank volunteer activities to support underprivileged students in surrounding schools as well as adults (US & UK)
- Blood Drive through American Red Cross (US)
- United Neighbours Impacting Families and Youth book drive event (US)
- Salvation Army and Community, Youth and Women's Alliance gift giving and donations (US & Singapore)
- Ramadan Community Campaigns to support refugees (Dubai)
- Wildlife Conservancy fundraising to protect endangered species in South Africa (US)
- Save Our Stray Dogs, a volunteer-run organization dedicated to the welfare of Singapore's many street dogs (Singapore)
- Various runs and walks to support causes such as Juvenile Diabetes Research Foundation, Hearing Loss Association of America, Osteogenesis Imperfecta (US) and British Heart Foundation (UK)

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

5. Responsible investment

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

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

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

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

In the past 12 months we have taken steps to improve our own transparency of these aspects of our business, via disclosures on our web site. Our voting policy has always been publicly available but we now disclose our full voting record. We have also initiated an annual stewardship report, also publicly available, which provides a convenient summary of our voting record and our engagement with closed-end fund boards. More detailed information is also available on our website about CLIG's own ESG credentials. This covers our commitment to conduct our business in an environmentally responsible manner, our responsibilities for the welfare and development of our employees, and the comprehensive policies that ensure our business is managed in accordance with the highest governance standards.

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

For and on behalf of the Board

Barry Olliff
Chief Executive Officer
14th September 2017

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.

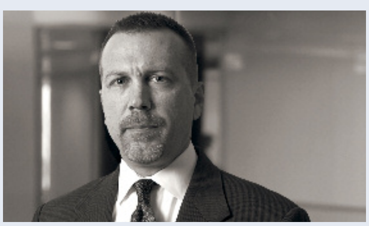
BOARD OF DIRECTORS

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, now Bridgepoint. He has been a director of two London listed Investment Trusts and is currently chairman of the supervisory board of the London based fund manager Hosking Partners LLP. David holds an MBA from INSEAD.

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

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

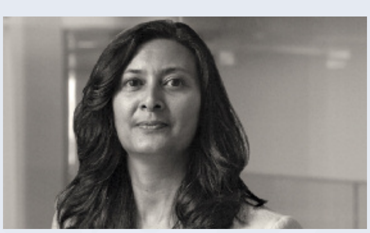


T. W. Griffith CHIEF OPERATING OFFICER

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

M. D. Dwyer CHIEF INVESTMENT OFFICER EM CEF GROUP

Mark re-joined City of London in May 2012 and has over 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

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 (RESIGNED 30.6.17)

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
(SENIOR INDEPENDENT DIRECTOR FROM 01.07.17)

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.

S. E. Nicklin INDEPENDENT NON-EXECUTIVE DIRECTOR (APPOINTED 01.07.17)

Susannah Nicklin is an investment and financial services professional with 20 years of experience in executive roles at Goldman Sachs and Alliance Bernstein in the US, Australia and the UK. She has also worked in the social impact private equity sector with Bridges Ventures and the Global Impact Investing Network. Susannah is a non-executive Director of Pantheon International plc, Amati VCT 2, and sits on the Investment Committee of Impact Ventures UK.

DIRECTORS' REPORT

Principal activity

City of London Investment Group PLC is the holding company for a number of subsidiaries. The principal operating subsidiary is City of London Investment Management Company Limited, which acts as an investment manager on 38 accounts (2016: 46 accounts) with a total of £3,580 million (2016: £3,016 million) under management as at 30th June 2017. Accounts may be commingled or segregated. City of London Investment Management Company Ltd has a subsidiary in Singapore and a branch in Dubai.

Going concern

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

During the year to 30th June 2017 the Group had no external borrowings and is wholly funded by equity.

Accordingly, the Directors are satisfied that the Company has adequate resources to meet its business needs for the foreseeable future, and the Financial Statements have therefore been prepared on the going concern basis.

Results and dividend

The results of the Group for the year to 30th June 2017, together with details of amounts transferred to reserves, are set out on pages 64, 66 and 67. The Company has paid dividends of £6,047,965 during the period (2016: £5,981,721). The final dividend for the year to 30th June 2017 of 17p per share (2016: 16p) has been proposed, payable on 31st October 2017, subject to shareholder approval, to shareholders who are on the register of members on 13th October 2017.

Subsequent events

During the year the Group received a significant tactical investment from an EM client in its International Equity CEF Fund. This reduced the Company's holding to 13% at which point the entity was deconsolidated, which resulted in an unrealised gain of £98,166. This gain was reported through the income statement under interest receivable and similar gains.

Subsequent to the year-end the client liquidated this tactical holding in the International Equity CEF Fund to invest in another of the Group's funds.

Annual General Meeting

The Company's AGM will be held at 11.30am on Monday, 23rd October 2017 at 77 Gracechurch Street, London EC3V 0AS.

Directors

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

Directors' indemnity arrangements

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

Own shares

The Company is, until the date of the next AGM, generally and unconditionally authorised to buy back up to 2,689,671 of its own ordinary shares of nominal value £0.01. In the year under review the Company purchased and cancelled 35,000 shares (2016: 115,000). The shares were purchased at £3.65. The Company is seeking a renewal of this authority at the 2017 AGM.

The number of own shares purchased by the Company's Employee Benefit Trust during the year was 50,000 (2016: nil). The number of own shares held by the Trust as at 30th June 2017 was 1,477,935 (2016: 1,852,213), of which, 1,062,342 shares (2016: 1,566,620) 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 2017, the Company had been notified of the following interests of 3% or more in the Company's ordinary shares:

Interested party	Number of shares	Percentage of issued shares
BlackRock Investment Management	2,693,619	10.0
B M Olliff	2,275,186	8.5
The City of London Employee Benefit Trust	1,477,935	5.5
Hargreave Hale	1,323,197	4.9
Polar Capital	875,000	3.3

Corporate governance

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

Corporate responsibility

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

Auditors

The auditors for the financial year were Moore Stephens, LLP.

Each of the persons who are Directors at the time when this report is approved has confirmed that:

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

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

As detailed in the Audit Committee report, the decision to change auditors has been taken this year to coincide with the end of the audit partner's statutory rotation period. A resolution to appoint RSM UK Group LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

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

B M Olliff
Chief Executive Officer

14th September 2017

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

The Board is committed to high standards of corporate governance and considers that it has complied with the provisions of the Code throughout the year ended 30th June 2017, except in respect of a small number of provisions that the Board considers to be incompatible with the nature and size of the Company's operations, and these are described below.

Remuneration policy

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

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

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

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

The Employee Benefit Trust and share related awards

The IA Guidelines recommend that dilutive share awards should be limited to 5% of the Company's issued share capital over a rolling 10 year period. As of 30th June 2017 there were no dilutive awards in issue (2016: nil).

In addition, the IA Guidelines recommend that no more than 5% of a Company's issued share capital be held in an Employee Benefit Trust (EBT) without prior approval by shareholders. The EBT currently has shareholder permission to hold up to 10% and the Company will be seeking to renew that permission at the next AGM. As of 30th June 2017 the EBT holding comprises 5.5% of issued share capital (2016: 6.9%). The components of which are:

	Number of shares	Percentage of issued shares
Vested options	754,217	2.8%
Unvested options	308,125	1.1%
Available for EIP awards	415,593	1.6%
	1,477,935	5.5%

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

The Board

Currently, the Board is composed of eight members, consisting of the non-executive Chairman, four executive Directors and three non-executive Directors.

On 30th June 2017 Allan Bufferd stepped down, having been on the Board for nine years. Susannah Nicklin joined as an independent non-executive on 1st July 2017, and took over from Allan as Chair of the Nominations Committee. Barry Aling took over as Senior Independent Director. 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 Company's Articles of Association currently dictate that all Directors shall stand for annual re-election. This is a recommendation of the Code for FTSE 350 companies, but is something we have adopted nonetheless. Brief details of all the Directors may be found on pages 36 and 37.

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

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

At the time of his appointment as Chairman, David Cardale met the independence criteria set out in the Code, as do the other three non-executive Directors.

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

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

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

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

Board performance evaluation

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

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

Board diversity

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

Board training and induction

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

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

Board Committees

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

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

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

Board and Committee attendance

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

	Board	Nominations Committee	Remuneration Committee	Audit Committee
Total number of meetings between 1st July 2016 and 30th June 2017	6	2	4	3
Attendance:				
David Cardale – Chairman	6	–	–	–
Barry Aling – non-executive	6	2	4	3
Allan Bufferd – non-executive (resigned 30th June 2017)	6	2	4	3
Mark Driver – non-executive (appointed 1st July 2016)	5	1	4	2
Mark Dwyer – executive	6	–	–	–
Tom Griffith – executive	5	–	–	–
Barry Olliff – executive	6	–	–	–
Tracy Rodrigues – executive	6	–	–	–

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

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

Internal control and risk management

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

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

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

Shareholder relations

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

Rights of the shareholder

The Company is financed by 26,861,707 (2016: 26,896,707) £0.01 ordinary shares carrying one vote per share and a right to dividends.

David Cardale

David Cardale
Chairman
14th September 2017

NOMINATION COMMITTEE REPORT

We are pleased to present the report of the Nomination Committee for the financial year ended 30th June 2017.

The Committee has defined terms of reference which are published on the Company's website. The Committee reviewed its terms of reference during the year and did not recommend any changes. The document was approved by the Board in April 2017.

The Nominations Committee is required to meet formally at least twice a year and otherwise as required. During the past financial year, the Committee met formally on two occasions.

At the Committee's first meeting, held in December 2016, the Committee discussed Board diversity; the balance between non-executive and executive Directors; and the country in which the Directors were resident, within the context of succession planning and its general review of the size and composition of the Board and its Committees.

With regard to where the Directors should be resident, the Committee recognised that although the Company was listed in London with a large shareholder base outside the United States, the client base is substantially located in the United States. For many years the Company has had significant Board representation from the United States, though with changes to the Board in recent years two shifts have occurred: there was now a balance between non-executive and executive Directors; and with Allan Bufferd's retirement planned for 30th June 2017, there would be no non-executive Director from the United States.

The Committee discussions included what Board structure would best serve the Company over the longer term with the conclusion being that an equal number of non-executive and executive Directors was acceptable and if there were to be an imbalance, a majority of non-executive Directors was preferable.

It was also agreed that diversity was an overarching objective in the identification of the next non-executive Director to be invited to serve on the Board. Although it should be noted that appointments are made primarily on merit and with objective criteria, with particular attention to ascertaining that appointees have sufficient time available to devote to the position to which they are appointed and the responsibilities associated.

Given the need to provide for greater diversity, the Committee appointed independent external advisers to assist in the search process (in early 2017) with a view to appointing a new Board member prior to the June 2017 year-end. Following interviews with five candidates, Ms. Susannah Nicklin was nominated by the Committee to join the Board, and received Board approval on 13th June 2017.

The second meeting of the Committee was held in June 2017, just prior to the close of the fiscal year. The Committee again reviewed the key factors which had been considered in previous meetings. The Committee concluded, as noted in its December 2016 meeting, that a balance between non-executive and executive Directors was appropriate for the Company given its relative size; and that this was the more defining criterion than whether the Director was based in the United States or the United Kingdom. It should be noted that Susannah Nicklin has dual nationality as she was born in the United States but is resident in the United Kingdom.

Following Ms. Nicklin's appointment, the Committee made a series of recommendations for the membership of all Board Committees to take effect in the financial year commencing 1st July 2017 and these also were agreed by the Board on 13th June 2017.

The revised membership structures are as follows:

Audit Committee

Barry Aling, *Chair*

Mark Driver

Susannah Nicklin

Remuneration Committee

Mark Driver, *Chair*

Barry Aling

Susannah Nicklin

Nomination Committee

Susannah Nicklin, *Chair*

Barry Aling

Mark Driver

NOMINATION COMMITTEE REPORT
CONTINUED

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

- David Cardale
- Barry Aling
- Mark Driver
- Barry Olliff
- Tom Griffith
- Mark Dwyer
- Ms. Tracy Rodrigues

In closing, we thank Allan for his valuable contribution to the Committee since 2010 and look forward to working with Susannah in reviewing and planning the leadership needs of the Group going forward.

Barry Aling
On behalf of the Nomination Committee
for the year to 30th June 2017

14th September 2017

AUDIT COMMITTEE REPORT

I am pleased to present my report on the activities of the Audit Committee for the year ended 30th June 2017. At the end of June 2017, Allan Bufferd stepped down from the Committee following his retirement from the Group's Board, after serving as a member for the last nine years. Allan's insight and experience have been greatly valued over that time and we are most grateful for his contribution. Coincident with Allan's departure, we have welcomed Susannah Nicklin to the Committee who, like Allan, has extensive experience of the asset management industry both in the UK and the US.

Terms of reference

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

The AC's key responsibilities include:

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

Membership

In accordance with the recommendation of the Code, the Committee comprises three independent non-executive directors. Barry Aling chairs the AC, having been appointed on 7th October 2013 and Mark Driver was appointed on 1st July 2016. As noted above, Allan Bufferd retired from the Committee on 30th June 2017 and was replaced by Susannah Nicklin on 1st July 2017. The Board considers that Barry Aling satisfies the Code's requirement that at least one member of the Committee should have recent and relevant financial experience, while all three members have extensive knowledge of the asset management industry and the analytical tools used in the appraisal of company reports and accounts. Abbreviated biographies of the Committee members are shown on page 37 of this Annual Report.

Meetings and activities

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

Barry Aling	3/3
Allan Bufferd	3/3
Mark Driver	2/3

At the first meeting, held in September 2016, the Committee received a presentation of the audit review from the external auditor, Moore Stephens LLP (MS), which closely mirrored the audit plan provided to the Committee in June 2016. With the exception of two minor procedural points, MS confirmed that the audit process revealed no items of a material nature, although they highlighted that the Group's remuneration policy remained at variance with the Code, an issue which is dealt with at length elsewhere in this Annual Report. MS also noted that the internal transfer pricing policy, which governs inter-company transfers of revenues and expenses within the Group, had not been reviewed since implementation in 2005 and recommended that the AC commission such a review as part of its governance oversight responsibilities.

The Committee accepted this proposal, the outcome of which is discussed below. MS were also able to confirm to the Committee that, in their opinion, a separate internal audit function was not required.

A routine review of oversight functions at the second meeting, held in February 2017, revealed no material control issues or changes to the AC's Terms of Reference and the Committee was also able to recommend the Interim Report to the Board for approval. Thereafter, there were more detailed discussions in relation to certain ongoing issues arising, namely:

- A Transfer Pricing Review. As noted above, MS had recommended that such a review be undertaken in light of the long period since this issue was last addressed and BDO LLP (BDO) were duly appointed at this meeting to conduct the review and report to the Committee within the 2016/17 financial year.
- The tendering process for the appointment of a new external auditor for the financial year 2017/18 onwards following the Board's decision to appoint a new external auditor for 2017/18 after MS' 13-year tenure.
- An update on the potential Group liability to additional US state taxes resulting from a detailed analysis by BDO of the Group's US activities. The outcome of this review is discussed in more detail in the Financial Review on page 28 of this Annual Report.
- The accounting treatment and financial impact of the new Employee Incentive Plan on the current year results.
- A report analysing breaches and errors in 2016 with comparative prior year figures. Excluding third party errors, the overall number of incidents was similar to the previous year, with a negligible aggregate financial cost.

The third and final meeting of the year took place in June 2017, at which MS presented their audit plan and noted a number of minor additional reporting requirements arising from changes to the Code. MS noted that the Group's Remuneration Policy would not comply with Code guidance and the Committee acknowledged that this would again necessitate an explanation in the 2017 Annual Report as to the basis of and reasons for Group policy.

Following the introduction of the European Audit reforms last year, which introduced mandatory audit firm and partner rotation requirements, the Committee noted that, since the existing MS audit partner is required to rotate off the audit at the end of the current year, it is an appropriate time also to appoint a new external auditor. The process by which a new auditor has been appointed for the year ending 30th June 2018 is dealt with later in this report.

With regard to ongoing issues arising, the following points were noted:

- A preliminary draft of BDO's transfer pricing review indicated that the Group's current methodology was "in accordance with the spirit and letter of the OECD Guidelines" and any changes were unlikely to be needed.
- Potential liability to additional US state taxes were likely to be significantly less than originally estimated as a result of corresponding tax reclaims of other state taxes paid in prior years.
- Proposed changes to this year's report were discussed and agreed, primarily regarding the Key Performance Indicators and Risk Management reports. The Group's Whistleblowing Policy was discussed and minor changes proposed for the routing of any communications from US-based employees.

Financial Statements and accounting matters

In accordance with the Code, the AC reviews all financial statements prior to their discussion and approval by the Board and in light of their conformity with the appropriate accounting standards. The Committee has received management reports and corresponding advice from MS auditors in light of the Group accounting policies adopted, which are set out in Note 1 of the Financial Statements on page 69. Also detailed in Note 1 are the accounting estimates and assumptions, the most important of which relate to the calculation of share-based payment charges under the Group's Employee Share Option Scheme and the Employee Incentive Program. The Committee has sought and received confirmation from MS through the audit process that such charges, while not material in the current year, are reflected appropriately in the statements. Further details regarding such charges and the assumptions used can be found on pages 83 and 84.

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

US state taxes

During 2016, the Group was made aware of potential additional tax liabilities arising in certain US states, where the Group had either a place of business or a business "nexus", for example resulting from regular client visits or value of sales. As a result BDO were appointed to conduct a detailed review and calculation of the Group's liability and assist in preparing the necessary returns. Based on the findings of BDO's report, it appears that the net effect of the re-statement process is positive as outlined in the Financial Review on page 28.

Risk management review

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

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

The monitoring of the controls necessary to comply with these mandates represents the core function of the compliance and control team, led by the Head of Compliance, Ashleigh Simms, who has extensive experience in the asset management industry and who attends AC meetings as a matter of course. While the incidence of breaches and errors was broadly similar in calendar year 2016, compared with 2015, with no items of a material nature in financial terms, there has been a notable and encouraging reduction in incidents in 2017 to date and there has been no necessity for disciplinary action against any employees. All incidents require a "Breach and Error" report and the Group's policy is to ensure that no client, investor or fund is financially disadvantaged by any incident for which CLIG is responsible.

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

For the year to 30th June 2017, the Committee is satisfied that the Register has been appropriately amended and maintained and that the training procedures in place adequately reflect such amendments and the remedies applied.

Non-audit services

Consistent with an overriding need to ensure independence and objectivity, the Committee exercises great care to minimise the use of the external auditor for non-audit services, following a policy of using third-party advisers wherever possible. To this end, in the year to 30th June 2017, third-party advisers were used to review the Group's inter-company transfer pricing policy as well as assist in the evaluation of US state tax liabilities. However, there may be occasions when it is either necessary or practicable to use the external auditor for non-audit services conducted alongside the annual audit and, in such circumstances, it is the Committee's policy to limit the aggregate of any fees paid to 10% of the annual audit fee in any one year.

External auditor

As noted earlier, in view of the revised European Audit requirements introduced in 2016 concerning auditor rotation, and with the MS audit partner due to rotate after this year's audit, the Committee recommended to the Board that it was an appropriate time to appoint a new external auditor for the year ended 30th June 2018.

During the course of 2015, the AC undertook a tendering process for the role of external auditor as part of a cost benchmarking exercise. Having conducted a tendering process relatively recently, therefore, the Committee recommended to the Board that RSM UK Group LLP (RSM) be invited to re-submit their tender for the role of external auditor on the basis that their original tender was broadly comparable in cost to MS. Accordingly, the Board is recommending that shareholders approve the appointment of RSM as the external auditor for the year to 30th June 2018 at the forthcoming Annual General Meeting.

The Committee wish to thank MS for their extensive help throughout their 13-year tenure as auditors.

Barry Aling
Chairman
14th September 2017

DIRECTORS' REMUNERATION REPORT

THE REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

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

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

This annual report on remuneration provides details on remuneration for the year to June 2017 and which will be subject to an advisory shareholder vote at the 2017 Annual General Meeting (AGM).

However, before that I feel it is important to restate the basic principles of the Group's Remuneration Policy, which has been established to support the Group's "Team Approach" and comply with the FCA Remuneration Code within SYSC 19B, incorporating the ESMA guidelines for sound remuneration policies for Alternative Investment Fund Managers (AIFM). It takes into account the following factors:

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

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

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

New Long-Term Incentive Plan

The new Employee Incentive Plan (EIP) was approved by an overwhelming majority of shareholders at last years AGM. The Remuneration Committee believe that the new Plan provides an appropriate motivational framework that more closely aligns the interests of employees with the performance of the Company and the interests of all stakeholders, including shareholders and clients.

THE REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT CONTINUED

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

The first awards under the EIP will be made in October 2017 with 42 staff members subscribed to the Plan and a total of 44 staff have subscribed to the Plan for financial period 2017/18, c.60% of the workforce. This is a tremendous endorsement of the employees long-term support for the Group and we hope that they will remain long-term shareholders. The Directors consider that the implementation of this EIP is in the best interests of all stakeholders in the Company.

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

Lastly, I would like to take the opportunity to thank Allan Bufferd for his hard work as chair of the Remuneration Committee for the last four years.

Mark Driver
Chairman of the Remuneration Committee
14th September 2017

ANNUAL REPORT ON REMUNERATION

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

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

Single total figure of remuneration for each Director

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

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

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 2017:

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

Executive Directors salary

The Directors did not receive a pay increase this financial year, instead the budgeted increase was allocated to employees.

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

1. B M Olliff – paid in US dollars and reported in sterling. The difference is due to a weaker pound to the US dollar.
2. T W Griffith – received a pay rise of 7% as of 1st January 2016, therefore 12 months at the increased salary this year compared to only six months last year. Plus paid in US dollars and reported in sterling.
3. M D Dwyer – appointed to the Board on 19th October 2015 so last year's salary was only for a partial year. In addition, he received a salary increase of 7% as of 1st January 2016, therefore 12 months at the increased salary this year compared to only six months last year.
4. T A Rodrigues – appointed to the Board on 19th October 2015 so last year's salary was only for a partial year. In addition, she received a salary increase of 10% as of 1st January 2016, therefore 12 months at the increased salary this year compared to only six months last year.

Profit share

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

Barry Olliff is entitled under his service agreement to a bonus equal to 5% of the pre-tax profits of the Company, and payment of this entitlement is covered by Mr Olliff 's allocation from the maximum 30% bonus pool. Barry Olliff received 4.2% for the period under review (2016: 4.2%). The 4.2% of pre-tax profits for the period under review was the result of a voluntary agreement between Barry Olliff and the Remuneration Committee to give priority consideration to other stakeholders.

Deferred profit share payments

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

	2017		2016	
	£	% of annual award	£	% of annual award
B M Olliff	30,265	4%	22,159	5%
T W Griffith	9,017	2%	12,225	4%
M D Dwyer	8,714	2%	11,760	7%
T A Rodrigues	10,312	3%	7,465	8%

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

Employee Incentive Plan (EIP)

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

As the EIP was introduced in December 2016, the waivers submitted upon implementation relate only to the profit share paid thereafter in relation to services provided to 30th June 2017. The RSAs in respect of the waived profit share disclosed in the Directors' remuneration table on page 50 will be granted in October 2017.

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

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

Pension

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

Taxable benefits

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

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

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

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

	Number of options									
	Held 2016	Exercised during the period	Granted during the period	Held 2017	Exercise price £	Price at grant £	Face value at grant £	Vesting period	Vesting date	Expiry date
T W Griffith	5,000	(5,000)	–	–	2.61	2.61	–	3 yrs	30/01/2010	30/01/2017
	5,000	(5,000)	–	–	2.73	2.73	–	3 yrs	30/03/2010	30/03/2017
	12,000	(12,000)	–	–	2.75	2.3	–	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
	17,000	–	–	17,000	2.55	2.5	42,500	3 yrs	30/01/2017	30/01/2024
Vested	78,000	(22,000)	–	56,000						
	23,500	–	–	23,500	3.52	3.52	82,720	3 yrs	19/06/2018	19/06/2025
Unvested	23,500	–	–	23,500						
Total	101,500	(22,000)	–	79,500						
M Dwyer	50,000	–	–	50,000	3.6	3.6	180,000	3 yrs	03/05/2015	03/05/2022
	15,500	(10,000)	–	5,500	2.55	2.5	13,750	3 yrs	30/01/2017	30/01/2024
Vested	65,500	(10,000)	–	55,500						
	17,500	–	–	17,500	3.52	3.52	61,600	3 yrs	19/06/2018	19/06/2025
Unvested	17,500	–	–	17,500						
Total	83,000	(10,000)	–	73,000						
T A Rodrigues	4,000	(4,000)	–	–	2.61	2.61	–	3 yrs	30/01/2010	30/01/2017
	4,000	(4,000)	–	–	2.73	2.73	–	3 yrs	30/03/2010	30/03/2017
	4,000	(4,000)	–	–	2.3	2.3	–	3 yrs	05/06/2012	05/06/2019
	3,000	(3,000)	–	–	3.14	3.14	–	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
	13,500	(13,500)	–	–	2.55	2.5	–	3 yrs	30/01/2017	30/01/2024
Vested	38,500	(28,500)	–	10,000						
	17,500	–	–	17,500	3.52	3.52	61,600	3 yrs	19/06/2018	19/06/2025
Unvested	17,500	–	–	17,500						
Total	56,000	(28,500)	–	27,500						

The closing market price of the Company's ordinary shares at 30th June 2017 was £4.0625 (2016: £2.97) and the price moved during the year between a low of £3.0225 to a high of £4.065 (2016: low £2.85 high £3.675).

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

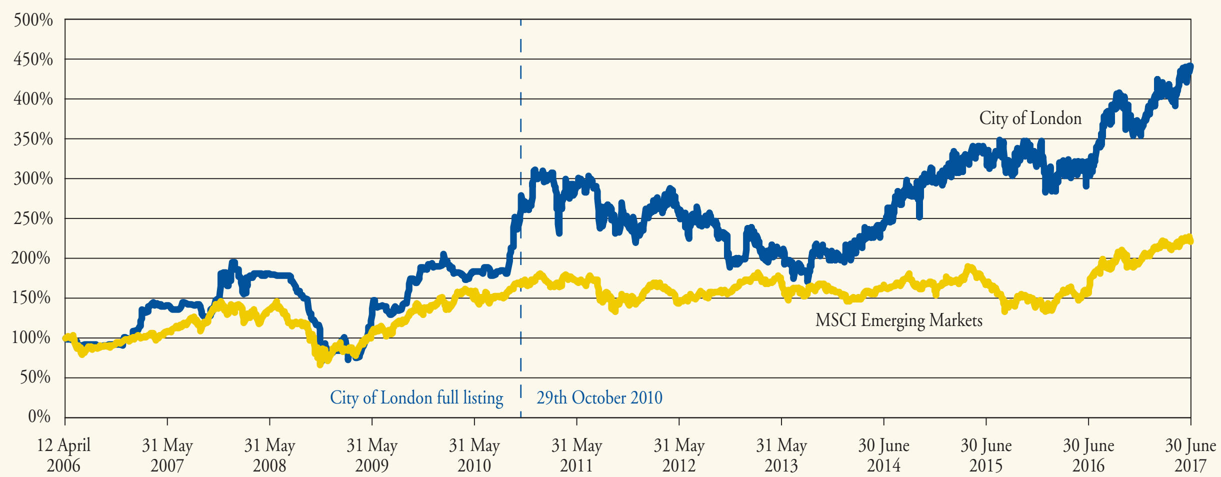
	Ordinary Shares of	
	1p each 2017	1p each 2016
B M Olliff	2,275,186	2,775,186
T W Griffith	284,425	262,425
B A Aling (non-executive)	94,300	94,300
T A Rodrigues	94,219	75,750
D M Cardale (Chairman) (non-executive)	53,125	53,125
M D Dwyer	34,962	25,000
A S Bufferd (non-executive) (resigned 30.06.17)	30,000	30,000
M J Driver (non-executive) (appointed 01.07.16)	–	–

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

Total shareholder return

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

Total shareholder return (dividends reinvested) from date of listing on AIM to 30th June 2017 (GBP)



Source: *Bloomberg.*

Chief Executive Officer single figure

The following table shows the total remuneration of Barry Olliff, CEO for the last eight 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 £	Year to 30th June 2017 £
CEO single figure remuneration	1,152,351	1,210,763	1,012,801	580,922	693,550	805,430	763,686	1,038,679
Annual bonus (as a % of current cap) [2]	120%	100%	92%	51%	84%	85%	84%	84%
LTIP – % of maximum opportunity	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

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

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

Percentage change in the remuneration of the CEO and employees

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

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

Comparison of percentage change in value from 2016 to 2017	CEO	Group employees
Salary	15%	12%
Health Insurance	12%	8%
Annual bonus awards	48%	48%

Note:

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

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

As an example, Barry Olliff has not taken a salary increase for over 10 years, therefore the 15% 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 on pay

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

	2017 £	2016 £	% change
Total employee spend	13,153,914	10,606,490	24%
Average headcount	72	72	0%
Profit after tax	9,289,755	5,791,354	60%
Dividends relating to the period *	6,342,087	6,017,823	5%

* The current period includes an estimate of the final dividend based on the number of qualifying shares as at 30th June 2017. The Board are recommending an increase in this year's final dividend, which would make the total for the year 25p per share (2016: 24p per share). This is subject to shareholder approval at the AGM in October. The prior period estimate has been restated to include actual final dividend paid.

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

Remuneration Committee

During the period under review, the members of the Remuneration Committee were Mark Driver (Chairman of the Committee), Allan Bufferd and Barry Aling. The Remuneration Committee meets formally at least four times a year and otherwise as required. During the year to 30th June 2017 the scheduled Committee meetings were principally to review and approve the quarterly assessment of the profit share pool, and allocations therefrom to executive Directors and senior employees, and the semi-annual salary review including both the overall level of awards and individual awards to executive Directors and senior employees. In addition, the Committee agreed and finalised the Employee Incentive Plan and reviewed the level of employee participation to ensure it remained within the limits of the plan rules. Both the Chairman of the Company and the CEO are invited to attend the meetings to assist the Committee with its deliberations. The Finance Director attends in her capacity as secretary to the Committee.

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

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

The resolutions seeking approval of the Remuneration Policy and Annual Report at the AGM in October 2016 received the following votes.

	Policy		Annual report	
	Number of votes	Percentage of votes cast	Number of votes	Percentage of votes cast
For*	11,495,553	82.3%	13,397,801	95.9%
Against	2,469,025	17.7%	569,777	4.1%
Total votes cast	13,964,578		13,967,578	
Votes withheld	33,636		30,636	

* includes discretionary votes

DIRECTORS' REMUNERATION POLICY

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

Policy overview

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

Policy table

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

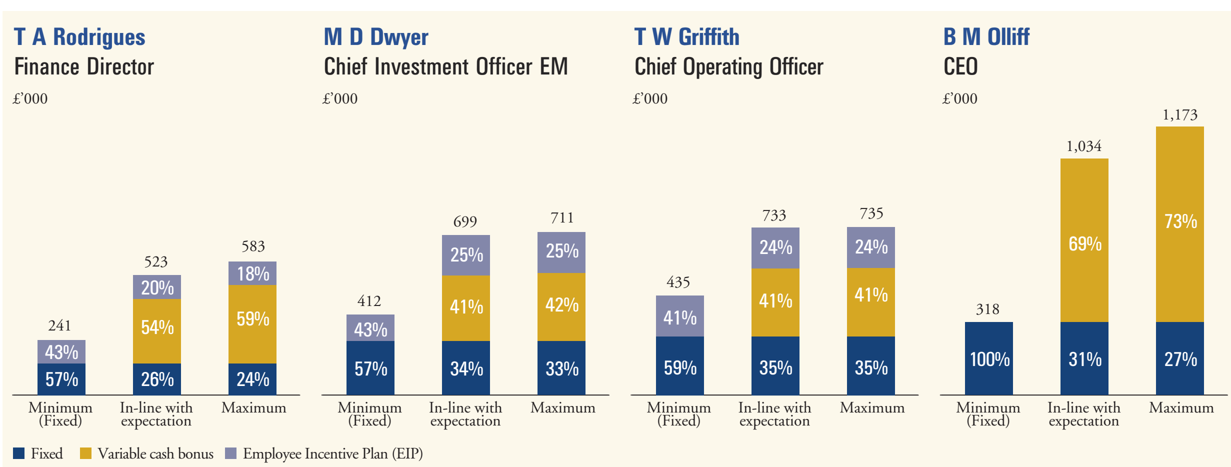
Component and purpose	Operation	Maximum opportunity	Performance measures and targets	Recovery
EXECUTIVE DIRECTORS				
Base salary (fixed pay)				
To pay a fair base salary, commensurate with the size of the business and the individual's role and experience.	Revised semi-annually, with changes, if any,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

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

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

Reward scenarios

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



Assumptions:

1) Based on the 2017 results
2) Minimum – reflects current salary, pension and taxable benefits, as disclosed in the single figure remuneration table. These costs are considered as fixed pay i.e. are not linked to annual performance.
   Also included are the Restricted Share Awards (RSAs) due to be granted in October 2017, based on each Director's waived profit share, as disclosed in the single figure remuneration table.
3) In-line with expectation – reflects the minimum remuneration plus the profit share disclosed in the single figure remuneration table.
4) Maximum – reflects the minimum remuneration plus the maximum bonus opportunity as detailed in the future policy table.
5) EIP – RSAs are granted under the Group's EIP and will vest one third each year on the anniversary of the grant date. A summary of the terms of the EIP are detailed in the Policy table.

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

Barry Olliff, who is currently the major shareholder in the Company, is due to retire in 2019. It should be noted that Barry Olliff has always had a profit focused incentive and the terms of his employment agreement are that his participation in the firm's profits should be 5% on an annual basis. After discussion with the Remuneration Committee he voluntarily reduced this to 4.2% for the period ending 30th June 2017. It should also be noted that Mr. Olliff 's salary has not increased for over 10 years.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Consideration of employment conditions elsewhere in the Group

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

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

Recruitment of new Directors

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

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

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

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

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

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

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

All Directors' service contracts and letters of appointment are kept at the Company's registered office and will be available for inspection at the AGM.

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

Mark Driver
Chairman of the Remuneration Committee
14th September 2017

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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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

B M Olliff

Barry Olliff
Chief Executive Officer
14th September 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITY OF LONDON INVESTMENT GROUP PLC

We have audited the financial statements of City of London Investment Group Plc ("the Group") for the year ended 30th June 2017 which comprise the Consolidated statement of comprehensive income, Consolidated and Company statement of financial position, Consolidated and Company statement of changes in equity, Consolidated and Company cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regard the parent company, IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30th June 2017 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 and;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

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

Key audit matters

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

Breach of investment mandate

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

Our audit work included, but was not restricted to, testing of controls over access to, and reports generated by, the Group's trade order management system, along with reviewing the control framework and recent detailed review conducted by the group's compliance department over the accuracy and completeness of mandate restriction requirements included within the trade order management system, checking; 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 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
Management fees are calculated using a percentage of assets under management for each mandate the group manages. Inaccurate assets under management figures, incomplete mandates or incorrect percentages applied to assets under management may lead to material inaccuracies.

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.

Our testing did not identify any failure 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 from 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 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 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 comfort from local regulatory specialists on the group's compliance with the regulatory requirements in other jurisdictions.

Our testing did not identify any deviation in the operation of controls which would have amended the nature and scope of our planned detailed test work. From completion of the work on FCA laws and regulations we found no significant issues resulting in an unqualified Client Asset Report being filed with the FCA in accordance with SUP 3.10.4R of the FCA's handbook. Finally, confirmations received from local specialists provided 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 £579,000 which was determined by a reference to a benchmark of approximately 5% of group profit before taxation which we consider to cover the principal considerations for members of the company in assessing financial performance of the group.

We have agreed with the Audit Committee that we will report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £15,000 that have an impact on profit, in addition to other audit misstatements that we believe warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of the parent undertaking and five subsidiary undertakings (seven in the prior period, although one of these was disposed in the period and the other was reduced to an available for sale financial asset). We have been engaged to audit the parent entity, the consolidated financial statements and three of the subsidiaries. As a result we have audited 95% of the net assets of the group.

Of the remaining subsidiaries, one is exempt from audit as a result of being dormant (and immaterial) throughout the period. The other (which is not considered a significant component for the purposes of the group audit) was audited by another independent member firm of the Moore Stephens UK network.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 59, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact.

We have nothing to report in this regard.

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or a corporate governance statement has not been prepared by the company.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. There is an increased risk of material misstatement resulting from fraud than there is for those due to error. This is as a result of the potential for collusion, misrepresentations, deliberate omissions or the override of internal controls as a result of fraud. This may also impact any area of law or regulation rather than directly on the financial statements.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Directors on 6th July 2015 to audit the financial statements for the year ending 30th June 2016 and subsequent financial periods.

The period of total uninterrupted engagement is 13 years, covering the years ending 31st May 2005 to 30th June 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Lorraine Bay, (Senior Statutory Auditor)
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB
15th September 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2017

	Note	Year to 30th June 2017 £	Year to 30th June 2016 £
Revenue			
Gross fee income	4	31,294,370	24,412,826
Commissions payable		(1,444,787)	(1,514,707)
Custody fees payable		(880,840)	(735,200)
Net fee income		28,968,743	22,162,919
Administrative expenses			
Staff costs	5(b)	13,153,914	10,606,490
Other administrative expenses		4,074,975	3,631,993
Depreciation and amortisation		230,635	168,298
		(17,459,524)	(14,406,781)
Operating profit	7	11,509,219	7,756,138
Interest receivable and similar gains	8	81,135	212,595
Profit before taxation		11,590,354	7,968,733
Income tax expense	9	(2,449,217)	(2,115,404)
Profit for the period		9,141,137	5,853,329
Profit attributable to:			
Non-controlling interests		(148,618)	61,975
Equity shareholders of the parent		9,289,755	5,791,354
Basic earnings per share	10	36.9p	23.3p
Diluted earnings per share	10	36.7p	23.1p

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2017

	Group		Company	
	Year to 30th June 2017 £	Year to 30th June 2016 £	Year to 30th June 2017 £	Year to 30th June 2016 £
Profit for the period	9,141,137	5,853,329	8,629,630	9,395,022
Items which may be reclassified through the profit or loss:				
Fair value gains/(losses) on available-for-sale investments*	158,597	(542)	158,227	(869)
Release of fair value gains on disposal of available-for-sale investments*	(253)	–	(253)	–
Foreign exchange gains on non-monetary assets	33,732	83,058	–	–
Other comprehensive income/(loss)	192,076	82,516	157,974	(869)
Total comprehensive income for the period	9,333,213	5,935,845	8,787,604	9,394,153
Attributable to:				
Equity shareholders of the parent	9,481,831	5,873,870	8,787,604	9,394,153
Non-controlling interests	(148,618)	61,975	–	–

*Net of deferred tax, detailed in note 19.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

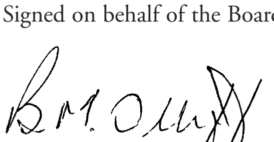
30TH JUNE 2017

		Group		Company	
	Note	30th June 2017 £	30th June 2016 £	30th June 2017 £	30th June 2016 £
Non-current assets					
Property and equipment	11	560,774	431,017	147,517	72,275
Intangible assets	12	360,283	201,801	20,407	–
Other financial assets	13	34,660	2,200,099	834,105	1,734,670
Deferred tax asset	14	216,693	86,106	64,719	19,101
		1,172,410	2,919,023	1,066,748	1,826,046
Current assets					
Trade and other receivables	15	5,857,896	5,044,107	8,248,782	5,597,427
Available-for-sale financial assets	16	915,649	–	915,649	–
Other financial assets	17	135,547	–	135,547	–
Current tax receivable		–	–	634,890	306,547
Cash and cash equivalents		13,936,558	10,150,799	180,938	74,755
		20,845,650	15,194,906	10,115,806	5,978,729
Current liabilities					
Trade and other payables	18	(3,402,681)	(3,122,371)	(1,219,878)	(1,626,909)
Current tax payable		(418,513)	(732,795)	–	–
Creditors, amounts falling due within one year		(3,821,194)	(3,855,166)	(1,219,878)	(1,626,909)
Net current assets		17,024,456	11,339,740	8,895,928	4,351,820
Total assets less current liabilities		18,196,866	14,258,763	9,962,676	6,177,866
Non-current liabilities					
Deferred tax liability	19	(115,774)	(137,514)	(115,774)	(2,019)
Net assets		18,081,092	14,121,249	9,846,902	6,175,847
Capital and reserves					
Share capital	20	268,617	268,967	268,617	268,967
Share premium account		2,256,104	2,256,104	2,256,104	2,256,104
Investment in own shares		(4,355,887)	(5,298,916)	(4,355,887)	(5,298,916)
Fair value reserve		166,421	8,077	165,724	7,750
Share option reserve		442,379	563,350	442,379	563,350
EIP share reserve		101,497	–	101,497	–
Foreign exchange reserve		109,139	75,407	–	–
Capital redemption reserve		23,097	22,747	23,097	22,747
Retained earnings		19,069,725	15,593,570	10,945,371	8,355,845
Shareholders interest		18,081,092	13,489,306	9,846,902	6,175,847
Non-controlling interest		–	631,943	–	–
Total equity		18,081,092	14,121,249	9,846,902	6,175,847

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 £8,629,630 (2016: £9,395,022).

The Board of Directors approve and authorise for issue these financial statements on 14th September 2017.

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 2017

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	EIP share reserve £	Foreign exchange reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £	Non-controlling interest £	Total £
At 1st July 2015	269,123	2,117,888	(5,692,430)	8,619	807,106	–	(7,651)	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	563,350	–	75,407	22,747	15,593,570	13,489,306	631,943	14,121,249
Profit for the period	–	–	–	–	–	–	–	–	9,289,755	9,289,755	(148,618)	9,141,137
Comprehensive income	–	–	–	158,344	–	–	33,732	–	–	192,076	–	192,076
Total comprehensive income	–	–	–	158,344	–	–	33,732	–	9,289,755	9,481,831	(148,618)	9,333,213
Transactions with owners												
Derecognisation of NCI investment	–	–	–	–	–	–	–	–	–	–	(483,325)	(483,325)
Share option exercise	–	–	1,132,727	–	(147,464)	–	–	–	147,464	1,132,727	–	1,132,727
Purchase of own shares	–	–	(189,698)	–	–	–	–	–	–	(189,698)	–	(189,698)
Share cancellation	(350)	–	–	–	–	–	–	350	(128,007)	(128,007)	–	(128,007)
Share-based payment	–	–	–	–	26,493	–	–	–	–	26,493	–	26,493
EIP provision	–	–	–	–	–	101,497	–	–	–	101,497	–	101,497
Deferred tax	–	–	–	–	–	–	–	–	124,750	124,750	–	124,750
Current tax on share options	–	–	–	–	–	–	–	–	90,158	90,158	–	90,158
Dividends paid	–	–	–	–	–	–	–	–	(6,047,965)	(6,047,965)	–	(6,047,965)
Total transactions with owners	(350)	–	943,029	–	(120,971)	101,497	–	350	(5,813,600)	(4,890,045)	(483,325)	(5,373,370)
At 30th June 2017	**268,617**	**2,256,104**	**(4,355,887)**	**166,421**	**442,379**	**101,497**	**109,139**	**23,097**	**19,069,725**	**18,081,092**	**–**	**18,081,092**

COMPANY STATEMENT OF CHANGES IN EQUITY

30TH JUNE 2017

	Share capital £	Share premium account £	Investment in own shares £	Fair value reserve £	Share option reserve £	EIP share reserve £	Capital redemption reserve £	Retained earnings £	Total attributable to shareholders £
At 1st July 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
Profit for the period	–	–	–	–	–	–	–	8,629,630	8,629,630
Comprehensive income	–	–	–	157,974	–	–	–	–	157,974
Total comprehensive income	–	–	–	157,974	–	–	–	8,629,630	8,787,604
Transactions with owners									
Share option exercise	–	–	1,132,727	–	(147,464)	–	–	69,349	1,054,612
Purchase of own shares	–	–	(189,698)	–	–	–	–	–	(189,698)
Share cancellation	(350)	–	–	–	–	–	350	(128,007)	(128,007)
Share-based payment	–	–	–	–	26,493	–	–	–	26,493
EIP provision	–	–	–	–	–	101,497	–	–	101,497
Deferred tax	–	–	–	–	–	–	–	41,603	41,603
Current tax on share options	–	–	–	–	–	–	–	24,916	24,916
Dividends paid	–	–	–	–	–	–	–	(6,047,965)	(6,047,965)
Total transactions with owners	(350)	–	943,029	–	(120,971)	101,497	350	(6,040,104)	(5,116,549)
At 30th June 2017	**268,617**	**2,256,104**	**(4,355,887)**	**165,724**	**442,379**	**101,497**	**23,097**	**10,945,371**	**9,846,902**

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2017

		Group		Company	
	Note	30th June 2017 £	30th June 2016 £	30th June 2017 £	30th June 2016 £
Cash flow from operating activities					
Operating profit		11,509,219	7,756,138	217,567	154,546
Adjustments for:					
Profit/(loss) on disposal of assets		202	(515)	202	185
Depreciation charges		167,748	118,742	57,492	42,943
Amortisation of intangible assets		62,886	49,556	2,915	–
Share-based payment charge		26,493	16,868	21,134	36,374
EIP charge		101,497	–	50,114	–
Fair value gain/(loss) on investments		35,367	–	–	–
Translation adjustments		(57,966)	(243,072)	44,963	(8,903)
Cash generated from operations before changes in working capital		11,845,446	7,697,717	394,387	225,145
Increase in trade and other receivables		(813,789)	(534,923)	(2,651,355)	(3,662,351)
Increase/(decrease) in trade and other payables		280,310	512,427	(407,031)	24,962
Cash generated from/(used in) operations		11,311,967	7,675,221	(2,663,999)	(3,412,244)
Interest received		28,925	40,195	76	74
Interest paid		(64,064)	–	–	–
Taxation paid		(2,764,001)	(2,094,937)	(461,085)	(22,012)
Net cash generated from/(used in) operating activities		8,512,827	5,620,479	(3,125,008)	(3,434,182)
Cash flow from investing activities					
Dividends received from subsidiaries		–	–	7,700,000	9,269,000
Purchase of property and equipment and intangibles		(485,345)	(139,164)	(156,258)	(26,760)
Proceeds from sale of property and equipment		–	2,047	–	–
Purchase of non-current financial assets		(768)	–	(768)	–
Proceeds from sale of non-current financial assets		2,538	23,098	2,538	310
Proceeds from sale of subsidiary		1,073,438	–	1,073,438	–
Purchase of current financial assets		(155,963)	–	(155,963)	–
Proceeds from sale of current financial assets		–	–	–	–
Net cash generated from/(used in) investing activities		433,900	(114,019)	8,462,987	9,242,550
Cash flow from financing activities					
Proceeds from issue of ordinary shares		–	139,210	–	139,210
Ordinary dividends paid	21	(6,047,965)	(5,981,721)	(6,047,965)	(5,981,721)
Purchase and cancellation of own shares		(128,007)	(375,502)	(128,007)	(375,502)
Purchase of own shares by employee share option trust		(189,698)	–	(189,698)	–
Proceeds from sale of own shares by employee share option trust		1,132,727	393,514	1,132,727	393,514
Net cash used in financing activities		(5,232,943)	(5,824,499)	(5,232,943)	(5,824,499)
Net increase/(decrease) in cash and cash equivalents		3,713,784	(318,039)	105,036	(16,131)
Cash and cash equivalents at start of period		10,150,799	10,226,705	74,755	82,804
Effect of exchange rate changes		71,975	242,133	1,147	8,082
Cash and cash equivalents at end of period		13,936,558	10,150,799	180,938	74,755

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

1 BASIS OF PREPARATION

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

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

New IFRS Standards and Interpretations

As at 30th June 2017, the following Standards and Interpretations as adopted by the EU, which are relevant to the Group, were in issue but not yet effective.

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.

The following Standards and Interpretations, which are relevant to the Group, were in issue but 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 23.

Overview
Strategic report
Corporate governance
Financial statements
Shareholder information

2 BASIS OF CONSOLIDATION

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

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

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

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

During the year the Group liquidated the World Markets Umbrella Global Equity Fund resulting in a realised gain of £185,329. In addition, the Group received a significant tactical investment from an EM client in its International Equity CEF Fund. This reduced the Company's holding to 13% at which point the entity was deconsolidated, which resulted in an unrealised gain of £98,166. These gains were reported through the income statement under interest receivable and similar gains.

Subsequent to the year-end the client liquidated this tactical holding in the International Equity CEF Fund to invest in another of the Group's funds.

The Group's subsidiary undertakings as at 30th June 2017 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	100%	UK
City of London Investment Management Company Limited holds 100% of the ordinary shares in the following:			
City of London Investment Management (Singapore) PTE Ltd	Management of funds		Singapore
City of London Latin America Limited	Dormant company		UK
City of London US Investments Limited holds 100% of the ordinary shares in the following:			
City of London US Services Limited	Service company		UK

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

(i) Property and equipment

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

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

(ii) Intangible assets

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

The estimated useful lives range from 4 to 10 years.

The assets are reviewed for impairment each year.

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

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

(iii) Financial instruments

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

The Group's investments have been classified here for recognition and measurement purposes under IAS39 but are not necessarily reported in the statement of financial position under those headings. A table showing how they are reported is shown in note 25.

(iv) Trade receivables

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

(v) Cash and cash equivalents

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

(vi) Trade payables

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

(vii) Current and deferred taxation

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(viii) Share-based payments

The Company operates an Employee Incentive Plan (EIP) which is open to all employees in the Group. Awards are made to participating employees over shares under the EIP where they have duly waived an element of their annual profit-share before the required waiver date, in general before the start of the relevant financial year.

The Awards are made up of two elements: Deferred Shares and Bonus Shares. The Deferred Shares represent the waived profit share and the Bonus Shares represent the additional award made by the Company as a reward for participating in the EIP. Awards will vest (i.e. no longer be forfeitable) over a three year period with one-third vesting each year.

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

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

(ix) Revenue

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

(x) Commissions payable

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

(xi) Foreign currency translation

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

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

(xii) Leases

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

(xiii) Pensions

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

4 SEGMENTAL ANALYSIS

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

	USA £	Canada £	UK £	Europe (ex UK) £	Other £	Total £
Year to 30th June 2017						
Gross fee income	28,893,685	983,509	463,821	953,355	–	31,294,370
Non-current assets:						
Property and equipment	413,257	–	107,080	–	40,437	560,774
Intangible assets	339,876	–	20,407	–	–	360,283
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

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

5 EMPLOYEES

(a) Average number of persons employed by the Group in the period:	Year to 30th June 2017 Number	Year to 30th June 2016 Number
Investment Management/Research	26	27
Performance and Attribution	5	5
Business Development/Marketing	3	3
Client Services	6	7
Administration, Accounts and Settlements	32	30
	72	72

(b) The aggregate employment costs of staff and Directors were:	Year to 30th June 2017 £	Year to 30th June 2016 £
Wages and salaries	6,003,177	5,381,563
Profit sharing payments	5,121,864	3,456,537
Social security costs	865,389	676,488
Defined contribution pension costs	681,923	615,617
EIP charge	101,497	–
Share options charge	26,493	16,868
Other staff costs	353,571	459,417
	13,153,914	10,606,490

6 DIRECTORS

Directors' emoluments comprise:	Year to 30th June 2017 £	Year to 30th June 2016 £
Emoluments (excluding pension contributions and awards under share option schemes)	2,691,013	1,960,422
EIP participation	229,022	–
Pension contributions	105,116	92,535
Health insurance	14,581	12,848
Share option charge	10,621	14,835
Gains on exercise of share options	65,255	19,625

	Year to 30th June 2017 Number	Year to 30th June 2016 Number
Number of Directors on whose behalf pension contributions were paid during the period	4	5
Number of Directors who exercised share options during the period	3	1

Highest paid Director's remuneration:	Year to 30th June 2017 £	Year to 30th June 2016 £
Emoluments (excluding pension contributions and awards under share option schemes)	999,108	729,306
EIP participation	–	–
Pension contributions	35,372	30,633
Health insurance	4,199	3,747
Share option charge	–	–
Gains on exercise of share options	–	–

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.

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

7 OPERATING PROFIT

The operating profit is arrived at after charging:	Year to 30th June 2017 £	Year to 30th June 2016 £
Depreciation of owned assets	167,748	118,742
Amortisation of intangible assets	62,886	49,556
Auditors' remuneration:		
– Statutory audit	75,319	75,160
– Taxation services	–	–
– Audit related assurance services	8,471	7,968
– Other services	–	–
Operating lease rentals:		
– Land and buildings	436,617	429,995
– Other	1,886	81

8 INTEREST RECEIVABLE AND SIMILAR GAINS

	Year to 30th June 2017 £	Year to 30th June 2016 £
Interest on bank deposit	28,925	40,195
Gain/(loss) on sale of investments	187,142	(197)
Unrealised (loss)/gain on investments	(70,868)	172,597
Interest payable on restated US state tax returns	(64,064)	–
	81,135	212,595

9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge on ordinary activities:	Year to 30th June 2017 £	Year to 30th June 2016 £
Tax at 20% (2016: 20%) based on the profit for the period	2,447,718	1,586,907
Double taxation relief	(966,380)	(911,452)
Deferred tax	(64,595)	14,849
Change in tax rate to 19%	(17,964)	–
Adjustments in respect of prior years	11,312	134
Domestic tax total	1,410,091	690,438
Foreign tax for the current period	1,396,861	1,509,277
Adjustments in respect of prior years	(357,735)	(84,311)
Foreign tax total	1,039,126	1,424,966
Total tax charge in income statement	2,449,217	2,115,404

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 – 20%). The differences are explained below:

	Year to 30th June 2017 £	Year to 30th June 2016 £
Profit on ordinary activities before tax	11,590,354	7,968,733
Tax at 20% (2016: 20%) thereon	(2,318,071)	(1,593,747)
Effects of:		
Unrelieved overseas tax	(430,480)	(597,825)
Expenses not deductible for tax purposes	(28,513)	(8,605)
(Losses)/gains ineligible for tax	(88,482)	34,519
Capital allowances less than depreciation	(9,397)	(21,705)
Prior period adjustments	346,423	84,177
Deferred tax on share-based payments and investments	64,595	(14,849)
Change in tax rate to 19%	17,964	–
Other	(3,256)	2,631
Total tax charge in income statement	(2,449,217)	(2,115,404)

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 £9,289,755 (2016: £5,791,354) divided by the weighted average number of ordinary shares in issue for the period ended 30th June 2017 of 25,188,897 (2016: 24,903,965).

As set out in the Directors' report on page 38, the Employee Benefit Trust held 1,477,935 ordinary shares in the Company as at 30th June 2017. 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 £9,289,755 (2016: £5,791,354) divided by the diluted weighted average of ordinary shares for the period ended 30th June 2017 of 25,316,917 (2016: 25,045,522).

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

	30th June 2017 Number of shares	30th June 2016 Number of shares
Weighted average number of shares – basic earnings per share	25,188,897	24,903,965
Effect of dilutive potential shares – share options	128,020	141,557
Weighted average number of shares – diluted earnings per share	25,316,917	25,045,522

11 PROPERTY AND EQUIPMENT

	30th June 2017				30th June 2016			
	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	259,914	1,647,769	669,236	2,576,919	213,397	1,776,776	605,548	2,595,721
Currency translation	2,486	6,724	7,136	16,346	20,161	136,268	60,813	217,242
Additions	1,272	287,478	21,279	310,029	26,356	89,459	2,875	118,690
Disposals	(610)	(47,981)	(825)	(49,416)	–	(354,734)	–	(354,734)
At close of period	263,062	1,893,990	696,826	2,853,878	259,914	1,647,769	669,236	2,576,919
Accumulated depreciation								
At start of period	230,819	1,509,736	405,347	2,145,902	204,268	1,672,984	334,386	2,211,638
Currency translation	3,597	17,087	7,984	28,668	16,756	121,169	30,798	168,723
Charge for the period	9,770	115,677	42,301	167,748	9,795	68,784	40,163	118,742
Disposals	(610)	(47,981)	(623)	(49,214)	–	(353,201)	–	(353,201)
At close of period	243,576	1,594,519	455,009	2,293,104	230,819	1,509,736	405,347	2,145,902
Net book value								
At close of period	19,486	299,471	241,817	560,774	29,095	138,033	263,889	431,017
Company								
Cost								
At start of period	123,325	518,126	279,258	920,709	122,275	632,901	278,719	1,033,895
Additions	–	129,337	3,598	132,935	1,050	25,170	539	26,759
Disposals	(610)	(43,540)	(825)	(44,975)	–	(139,945)	–	(139,945)
At close of period	122,715	603,923	282,031	1,008,669	123,325	518,126	279,258	920,709
Accumulated depreciation								
At start of period	122,109	484,040	242,285	848,434	121,289	600,703	223,260	945,252
Charge for the period	477	37,543	19,471	57,491	820	23,098	19,025	42,943
Disposals	(610)	(43,540)	(623)	(44,773)	–	(139,761)	–	(139,761)
At close of period	121,976	478,043	261,133	861,152	122,109	484,040	242,285	848,434
Net book value								
At close of period	739	125,880	20,898	147,517	1,216	34,086	36,973	72,275

12 INTANGIBLE ASSETS

	30th June 2017 Long-term software licences £	30th June 2016 Long-term software licences £
Group		
Cost		
At start of period	512,511	413,354
Currency translation	6,539	78,682
Additions	175,315	20,475
At close of period	694,365	512,511
Amortisation charge		
At start of period	310,710	217,011
Currency translation	(39,514)	44,143
Charge for the period	62,886	49,556
At close of period	334,082	310,710
Net book value		
At close of period	360,283	201,801
Company		
Cost		
At start of period	–	–
Additions	23,322	–
At close of period	23,322	–
Amortisation charge		
At start of period	–	–
Charge for the period	2,915	–
At close of period	2,915	–
Net book value		
At close of period	20,407	–

13 OTHER FINANCIAL ASSETS (NON-CURRENT)

Group	30th June 2017 Unlisted investments £	30th June 2016 Unlisted investments £
Cost		
At start of period	2,200,099	2,075,954
Additions	768	–
Disposals	(1,464,896)	(531)
Fair value (losses)/gains	(701,311)	124,676
At close of period	34,660	2,200,099

13 OTHER FINANCIAL ASSETS (NON-CURRENT) CONTINUED

Company	30th June 2017			30th June 2016		
	Unlisted investments £	Investment in subsidiary undertakings £	Total £	Unlisted investments £	Investment in subsidiary undertakings £	Total £
Cost						
At start of period	27,454	1,707,216	1,734,670	26,147	1,784,645	1,810,792
Additions	768	95,262	96,030	–	65,477	65,477
Disposals	(722)	(1,001,567)	(1,002,289)	(531)	(140,909)	(141,440)
Fair value gains recognised in other comprehensive income	5,694	–	5,694	1,838	–	1,838
Other movements	–	–	–	–	(1,997)	(1,997)
At close of period	33,194	800,911	834,105	27,454	1,707,216	1,734,670

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

All Group companies are listed in note 2.

14 DEFERRED TAX ASSET

	Share-based payments	
	Group £	Company £
At 30th June 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
Credit to income	5,837	4,015
Credit to equity	124,750	41,603
At 30th June 2017	216,693	64,719

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30th June 2017 £	30th June 2016 £	30th June 2017 £	30th June 2016 £
Trade receivables	66,634	162,547	–	–
Accrued income	4,814,229	4,163,469	–	–
Amounts owed by Group undertakings	–	–	7,874,540	5,286,074
Other debtors	230,519	124,690	85,861	67,405
Prepayments	746,514	593,401	288,381	243,948
	5,857,896	5,044,107	8,248,782	5,597,427

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group and Company	30th June 2017 £	30th June 2016 £
Unlisted investments at market value	915,649	–
Unlisted investments at cost	726,028	–

17 OTHER FINANCIAL ASSETS (CURRENT)

Group and Company	30th June 2017 £	30th June 2016 £
Listed investments at market value	135,547	–
Listed investments at cost	155,963	–

18 TRADE AND OTHER PAYABLES

	Group		Company	
	30th June 2017 £	30th June 2016 £	30th June 2017 £	30th June 2016 £
Trade creditors	19,327	60,963	–	–
Sundry creditors	365	282,525	365	3,742
Amounts owed to Group undertakings	–	–	–	774,503
Other taxation and social security	117,919	80,672	85,442	79,270
Accruals and deferred income	3,265,070	2,698,211	1,134,071	769,394
	3,402,681	3,122,371	1,219,878	1,626,909

19 DEFERRED TAX LIABILITY

Group and Company	Group £	Company £
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
Increase due to gain in fair value of available-for-sale investments	37,081	37,081
Increase due to gain in fair value of other financial assets	2,619	–
Released on disposal of available-for-sale investments	(63)	(63)
Released on disposal of other financial assets	(61,377)	–
Reclassification of investment	–	76,737
At 30th June 2017	115,774	115,774

20 SHARE CAPITAL

Group and Company	30th June 2017 Number of shares	30th June 2016 Number of shares
Authorised		
Ordinary shares of 1p each (2016 – 1p each)	90,000,000	90,000,000

	£	£
Ordinary shares of 1p each (2016 – 1p each)	900,000	900,000

Group and Company	30th June 2017 £	30th June 2016 £
Allotted, called up and fully paid		
At start of period 26,896,707 (2016: 26,912,271) Ordinary shares of 1p each	268,967	269,123
Dilutive share options exercised; Nil (2016: 99,436)	–	994
Shares repurchased and cancelled; 35,000 (2016: 115,000)	(350)	(1,150)
At end of period 26,861,707 (2016: 26,896,707) Ordinary shares of 1p each	268,617	268,967

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

21 DIVIDEND

	30th June 2017 £	30th June 2016 £
Dividends paid:		
Interim dividend of 8p per share (2016: 8p)	2,026,846	1,996,704
Final dividend in respect of year ended:		
30th June 2016 of 16p per share (2015: 16p)	4,021,119	3,985,017
	6,047,965	5,981,721

A final dividend of 17p per share has been proposed, payable on 31st October 2017, subject to shareholder approval, to shareholders who are on the register of members on 13th October 2017.

22 OPERATING LEASE COMMITMENTS

At 30th June 2017 the Group had the following commitments for future minimum lease payments under non-cancellable operating leases:

	Group		Company	
	Land and buildings 30th June 2017 £	Land and buildings 30th June 2016 £	Land and buildings 30th June 2017 £	Land and buildings 30th June 2016 £
Within one year	426,784	421,478	212,160	212,160
In the second to fifth years inclusive	203,647	571,568	–	212,160
After five years	–	–	–	–
	630,431	993,046	212,160	424,320

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

23 SHARE-BASED PAYMENTS

(a) The estimated fair values of options which fall under IFRS2, and the inputs used in the Binomial pricing model to calculate those fair values, are as follows:

Date of grant	Expiry date	Expected life (yrs)	Risk-free rate	Share price at grant (£)	Exercise price (£)	Volatility	Dividend yield	Estimated fair value (£)	Number originally granted
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 2017		Year to 30th June 2016	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at the beginning of the period	1,566,620	3.11	2,158,671	2.88
Granted during the period	–	–	–	–
Forfeited during the period	80,000	3.29	312,710	2.61
Exercised during the period	424,278	2.67	279,341	1.91
Outstanding at the end of the period	1,062,342	3.27	1,566,620	3.11
Exercisable at the end of the period	754,217	3.17	873,295	3.18
The weighted average share price at the date of exercise for share options exercised during the period was		3.77		3.03

The total share-based payment for the period is a charge of £26,493 (2016: £16,868). For outstanding share options the exercise price ranged between £2.30 and £4.03, and all have a contract life of ten years.

23 SHARE-BASED PAYMENTS CONTINUED

(c) The Group introduced a new Employee Incentive Plan (EIP) this year, open to employees of all Group companies and executive Directors, the details of which can be found in the Directors' Remuneration Report.

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.

Awards under the EIP 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.

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

The estimated fair value of the Bonus Share awards is based on the cash equivalent at the time the employees elected to participate, and the share-based payment charge has been calculated as follows:

	Vesting date	Total estimated charge £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Bonus Shares tranche 1	Oct-18	177,326	47,783	96,892	32,651	–	–
Bonus Shares tranche 2	Oct-19	177,326	30,899	62,657	62,657	21,114	–
Bonus Shares tranche 3	Oct-20	177,326	22,815	46,264	46,264	46,391	15,591
		531,978	101,497	205,813	141,572	67,505	15,591

The first Awards are due to be granted in October 2017 and will vest over a three period with one third vesting each year.

24 RELATED PARTY TRANSACTIONS

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

(i) Remuneration of key management personnel

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

(ii) Summary of transactions and balances

During the period the Company received from its subsidiaries £7,344,329 (2016: £6,171,618) in respect of management service charges and dividends of £7,700,000 (2016: £9,269,000).

Amounts outstanding between the Company and its subsidiaries as at 30th June 2017 are given in notes 15 and 18.

M Dwyer, a Director of the Company, is also a Director of the World Markets Umbrella Fund plc, a fund managed by City of London Investment Management Company Ltd. The management fees earned by the Group during the year from this fund totalled £953,355 (2016: £661,169), with £122,580 (2016: £95,536 fees and £6,943 expenses) outstanding at the year end.

25 FINANCIAL INSTRUMENTS

The Group's financial assets include cash and cash equivalents, investments and other receivables. Its financial liabilities include accruals 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 2017 Assets as per statement of financial position	Loans and receivables £	Assets at fair value through profit or loss £	Available-for-sale £	Total £
Other financial assets	–	135,547	34,660	170,207
Trade and other receivables	5,792,745	65,151	–	5,857,896
Available-for-sale financial assets	–	–	915,649	915,649
Cash and cash equivalents	13,936,558	–	–	13,936,558
Total	19,729,303	200,698	950,309	20,880,310

Liabilities as per statement of financial position	Liabilities at fair value through profit or loss £	Financial liabilities at amortised cost £	Total £
Trade and other payables [(1)]	–	3,402,681	3,402,681
Total	–	3,402,681	3,402,681

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

25 FINANCIAL INSTRUMENTS CONTINUED

Company

30th June 2017 Assets as per statement of financial position	Investment in subsidiaries £	Loans and receivables £	Assets at fair value through profit or loss £	Available-for-sale £	Total £
Other financial assets	800,911	–	135,547	33,194	969,652
Trade and other receivables	–	8,248,782	–	–	8,248,782
Available-for-sale financial assets	–	–	–	915,649	915,649
Cash and cash equivalents	–	180,938	–	–	180,938
Total	800,911	8,429,720	135,547	948,843	10,315,021

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)	–	1,219,878	1,219,878
Total	–	1,219,878	1,219,878

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

(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.

25 FINANCIAL INSTRUMENTS CONTINUED

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

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

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

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

25 FINANCIAL INSTRUMENTS CONTINUED

Company

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

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

Level 3

Level 3 assets as at 30th June 2017 are nil (2016: one security valued at £14).

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.

As the Group gained a significant investor in the International Equity CEF Fund, this entity is not being consolidated in our books this year. This has the effect of changing the category we report this entity in at the Group level from a Level 1 Financial asset at fair value through profit and loss last year to a Level 2 "Available-for-sale" financial asset in the current year.

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 £90,181 (2016: net loss £179,495).

(iii) Foreign currency risk

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

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

25 FINANCIAL INSTRUMENTS CONTINUED

As at 30th June 2017, the Group had net asset balances of US$5,463,807 (2016: US$5,399,570), offset by forward sales totalling US$4,750,000 (2016: US$4,250,000). Other significant net asset balances were C$452,927 (2016: C$387,803), AED246,996 (2016: AED248,149), and SGD159,498 (2016: SGD196,587).

Had the US dollar strengthened or weakened against sterling as at 30th June 2017 by 10%, with all other variables held constant, the Group's net assets would have increased or decreased (respectively) by approximately 1%, because the US dollar position is hedged by the forward sales.

Further details on the effects on the Group's post-tax profits due to movements in the US dollar/sterling exchange rate have been demonstrated in the Financial Review on page 28.

(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 £0.1 million in the value of the investments and profit before tax.

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

The loss from hedging recognised in the Group income statement for the period is £20,416 (2016: Nil).

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 2017 the Group held £13,936,558 (2016: £10,150,799) in cash balances, of which £13,799,951 (2016: £9,899,916) 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.

25 FINANCIAL INSTRUMENTS CONTINUED

(viii) Capital risk management

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

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

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

26 SUBSEQUENT EVENTS

During the year the Group received a significant tactical investment from an EM client in its International Equity CEF Fund. This reduced the Company's holding to 13% at which point the entity was deconsolidated, which resulted in an unrealised gain of £98,166. This gain was reported through the income statement under interest receivable and similar gains.

Subsequent to the year-end the client liquidated this tactical holding in the International Equity CEF Fund to invest in another of the Group's funds.

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 23rd October 2017 at 11.30am to consider, and if thought fit, pass resolutions 1 to 16 as ordinary resolutions and resolution 17 as a special resolution:

Ordinary business

1. To receive and adopt the financial statements for the year ended 30th June 2017 together with the reports of the Directors and auditors thereon.

2. To approve the Annual report on remuneration for the year ended 30th June 2017.

3. To declare a final dividend of 17p per ordinary share for the year ended 30th June 2017 payable on 31st October 2017

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

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

6. To re-elect, as a Director of the Company, Mark Driver, 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, Mark Dwyer, 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, Tom Griffith, 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, Barry Olliff, 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, Tracy Rodrigues, who retires in accordance with the Articles of Association of the Company and offers herself for re-election.

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

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

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

Special business

14. THAT, in accordance with sections 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers conferred pursuant to Article 10 of the Company's Articles of Association to allot shares in the Company (which for this purpose includes grants of rights to subscribe for or to convert any security into shares) up to a maximum nominal amount of £89,539 (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 2018 (whichever is earlier), save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted (or rights to be granted) and the Directors may allot shares (or grant rights) in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

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

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

16. THAT, subject to the passing of resolution 15 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 15, 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 £13,431 (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 2018 (whichever is earlier) save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted (or rights to be granted) and the Directors may allot shares (or grant rights) in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

    (a) the maximum number of ordinary shares which may be purchased is 2,686,171 (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 2018 (whichever is earlier),

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

By order of the Board

P A Keith
Company Secretary
14th September 2017

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 19th October 2017. 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 19th October 2017.

   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 19th October 2017. 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 2017, together with the Directors' report and the independent auditors' report thereon.

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

Declaration of final dividend (Resolution 3)
Your Directors are recommending a final dividend of 17p per ordinary share for the year ended 30th June 2017 which will be paid on 31st October 2017 to shareholders on the register at the close of business on 13th October 2017.

The Company's shares will trade ex-dividend from 12th October 2017 until the payment date.

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

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

Appointment of auditors (Resolution 12)
The Company is required at each general meeting at which its annual accounts and reports are laid before the shareholders (an "Accounts Meeting") to appoint auditors for the next financial year to hold office from the conclusion of that accounts meeting until the conclusion of the next accounts meeting. If resolution 12 is passed, RSM UK Group LLP will be appointed as auditors to the Company for the financial year ending 30th June 2018.

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

Authority to allot shares (Resolution 14)
Resolution 14 will be proposed as an ordinary resolution in accordance with section 551 of the Companies Act 2006, to authorise the Directors generally to allot shares and rights over shares up to a maximum nominal amount of £89,539 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 2018 (whichever is the earlier), unless renewed, varied or revoked by the Company prior to or on that date.

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

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

Disapplication of pre-emption rights (Resolution 16)

Resolution 16 will be proposed as a special resolution in accordance with section 570 of the Companies Act 2006, to authorise the Directors of the Company to allot a limited number of shares for cash other than on a pre-emptive basis, up to an aggregate nominal value of £13,431 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 2018 (whichever is earlier), unless renewed, varied or revoked by the Company prior to or on that date.

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

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

Accordingly Resolution 17, which will be proposed as a special resolution, will give the Directors the authority to purchase issued shares of the Company under section 701 of the Companies Act 2006. The authority contained in this Resolution will be limited to an aggregate nominal value of £26,861 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 2018 (whichever is earlier).

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

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

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

COMPANY INFORMATION

Financial adviser and broker
Zeus Capital
41 Conduit Street
London
W1S 2YQ

Auditors
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

Company registered office
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	9th October 2017
Ex-dividend date for the final dividend	12th October 2017
Final dividend record date	13th October 2017
AGM	23rd October 2017
Final dividend payment	31st October 2017
Second quarter FuM announcement	17th January 2018
Half year results and interim dividend announcement	19th February 2018
Ex-dividend date for the interim dividend	1st March 2018
Interim dividend record date	2nd March 2018
Interim dividend payment	16th March 2018
Third quarter FuM announcement	18th April 2018
Year end	30th June 2018

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

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C004309

The paper used in this document contains materials sourced from responsibly managed and sustainable commercial forests, certified in accordance with the FSC® (Forest Stewardship Council).

Designed and produced by fourthquarter

London office
77 Gracechurch Street
London
EC3V 0AS
United Kingdom

Telephone: + 44 (0) 207 711 0771
Facsimile: + 44 (0) 207 711 0772

US East Coast office
The Barn
1125 Airport Road
Coatesville, PA 19320
United States
Telephone: + 1 610 380 2110
Facsimile: + 1 610 380 2116

US West Coast office
Plaza Center
10900 NE 8th Street
Suite 1519
Bellevue, WA 98004
United States
Telephone: + 1 610 380 0090

Singapore office
20 Collyer Quay
#10-04
Singapore 049319

Telephone: + 65 6236 9136
Facsimile: + 65 6532 3997

Dubai office
Unit 2, 2nd Floor
The Gate Village Building 1
Dubai International Financial Centre
PO Box 506695
Dubai
United Arab Emirates

Telephone: + 971 (0)4 423 1780
Facsimile: + 971 (0)4 437 0510

www.citlon.co.uk