Annual Report 2021

The City of London Investment Trust plc

MANAGED BY
Janus Henderson
INVESTORS

Strategic Report

Objective

The Company's objective is to provide long-term growth in income and capital, principally by investment in equities listed on the London Stock Exchange. The Board fully recognises the importance of dividend income to shareholders.

Performance at 30 June

Total Return Performance for year to 30 June 2021

	2021 %	2020 %
NAV[1]	20.0	-14.6
Share price[2]	21.3	-16.2
FTSE All-Share Index (Benchmark)	21.5	-13.0
AIC UK Equity Income sector[3]	26.4	-14.3
IA UK Equity Income OEIC sector	25.4	-13.7

Total Return Performance for 10 years to 30 June 2021 (rebased to 100)

Dividend Growth compared with the Retail Price Index ("RPI") and Consumer Price Index ("CPI") for the 10 years to 30 June 2021 (rebased to 100)

Performance at 30 June

	2021	2020
NAV per share	387.6p	344.0p
NAV per share (debt at fair value)	384.1p	338.7p
Share price	390.0p	340.0p
Revenue earnings per share	17.1p	15.7p
Ongoing charge for the year[4]	0.38%	0.36%
Premium/(discount)	0.6%	(1.2)%
Premium (debt at fair value)	1.5%	0.4%
Gearing at year end	6.9%	9.7%
Dividends per share	19.1p	19.0p
Revenue reserve per share	8.4p	11.0p

Dividend Yields

1 Net asset value ("NAV") per ordinary share total return with debt at fair value (including dividends reinvested)
2 Share price total return using mid-market closing price
3 AIC UK Equity Income sector size weighted average NAV total return (shareholders' funds)
4 Calculated using the methodology prescribed by the Association of Investment Companies ("AIC")
Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream
A glossary of terms is on page 88 and Alternative Performance Measures on pages 86 and 87

The City of London Story

A Brief History

The Company was formed as City of London Brewery Company in 1860 to acquire Calverts, a family brewing business at Upper Thames Street in the City of London, registering as a limited company in 1891. The brewery had extensive interests in the licensed premises trade.

Photo credit: Keith Osbourne

In 1932, the name was changed to The City of London Brewery and Investment Trust Limited, parts of the business having been sold and the proceeds invested in securities according to investment trust principles. In 1968, the remaining part of the brewery business was sold and the Company concentrated exclusively on investments in securities.

In 1970, the Company appointed Touche, Remnant & Co. as Investment Manager and in 1982 the name was changed to TR City of London Trust PLC. In 1992, Touche, Remnant & Co. was acquired by Henderson Administration Group plc. The name of the Company was changed to The City of London Investment Trust plc in October 1997.

The Company has grown significantly with a strong performance record. Invested mainly in UK equities with a bias towards large, multinational companies through a conservative management style, it prioritises sustainable income and long-term capital growth.

Photo credit: The Brewery History Society (custodians)

The Company has increased its dividend every year since 1966 and this 55 year record is the longest of any investment trust.

In May 2017, Henderson Group plc merged with Janus Capital Group Inc. to become Janus Henderson Group plc which is quoted on the New York and Australian Stock Exchanges.

City of London: 55 Years of Dividend Growth

Source: Janus Henderson

History of income growth

The summer of 1966 was significant for English football fans as it was the first (and most recent) time that England won the World Cup. It was also the start of City of London's dividend growth track record which has continued uninterrupted for 55 years.

Over that time, an initial investment of:

£1,000 in **CITY OF LONDON** has yielded investors **£43,000** in gross income, assuming that they had not reinvested their income.

This compares to just **£3,700** earned from a **SAVINGS ACCOUNT**, based on the Bank of England base rate, or

£30,000 paid out by the **UK EQUITY MARKET**, as measured by the FTSE All-Share Index over the same period.

Cumulative income received from £1,000 initial investment

Source: Janus Henderson and Refinitiv Datastream

Source: Janus Henderson and Refinitiv Datastream

Compounding income and total return

While City of London has provided investors with a growing source of income, the Company has also delivered strong long-term capital growth on a total return basis. If investors had reinvested their dividends back into shares in the Company over the period since 1966, an initial investment of £1,000 would be worth almost £724,000 today. For comparison, an investment of £1,000 in the UK market, as measured by the DataStream UK Market Index (data for the FTSE All-Share Index total return only goes back to 1986) over 55 years would be worth £449,000 on a comparable total return basis. This comparison demonstrates a significant outperformance by City of London over the long term.

City of London total return from a £1,000 initial investment

Source: Janus Henderson and Refinitiv Datastream

Reserves

One of the main advantages of investment trusts is their ability to retain surplus income and create revenue reserves. These reserves can be added to in profitable years and paid out in the leaner years, thereby smoothing the level of dividend payments to shareholders where appropriate. While the investment process for City of London aims to avoid companies that cannot sustain dividend payments and the diversification of the portfolio limits the impact of any dividend cuts, the use of revenue reserves and the ability, also, to distribute capital reserves arising from gains realised from investments sold provide powerful protection for the dividend in challenging market conditions.

City of London's dividend growth track record and strong reserves position should give investors comfort over the long term.

Chairman's Statement

"City of London's NAV total return was 20.0%, a decent recovery after the 14.6% negative return in the previous year. It increased its dividend for the 55th consecutive year, by 0.5%."

Sir Laurie Magnus
Chairman

Chairman's Statement

I am pleased, in my first annual statement as Chairman, to report a 20.0% net asset value ("NAV") total return and the 55th annual dividend increase. Companies and markets have recovered well from the sharp downturn in 2020.

The Markets

The pivotal moment during the 12 month period came at the end of October 2020, when vaccines against Covid-19 were confirmed to be effective. Stock markets had been drifting sideways and occasionally downwards up to that point. A strong rally developed as investors anticipated an end to economic lockdowns. UK economic growth rebounded, after the sharp fall in 2020, as the economy progressively reopened. The FTSE All-Share Index produced a total return of 21.5% over the 12 month period. Medium-sized and small companies, which tend to be more exposed to the reopening of the economy, led the way, with the FTSE 250 Mid Cap Index returning 33.4% and the FTSE Small Cap Index 50.1%. The FTSE 100 Index of the largest companies, which is more defensive and had held up better in the first stages of the pandemic, returned 18.0%.

Performance

Earnings and Dividends

Following the avalanche of dividend cuts, cancellations and omissions during the second quarter of 2020, there was a marked improvement over the 12 months to 30 June 2021. City of London's revenue earnings per share rose by 8.6% to 17.09p. Special dividends accounted as revenue increased by £0.9 million to £2.4 million. A further £7.2 million of special dividends were deemed to be capital by nature (largely resulting from business disposals) and were therefore accounted as capital and not revenue.

Expenses remained under tight control, with our ongoing charge of 0.38% very competitive compared with other actively managed funds. Interest charges were reduced by the redemption of the £30 million 8.5% debenture on 31 January 2021 and its replacement with a £30 million Private Placement Note carrying a fixed interest rate of 2.67% for a term of 25 years.

City of London increased its dividend, by 0.5% to 19.1p per ordinary share, for the 55th consecutive year. Part of the dividend was funded from our revenue reserve, which fell by £8.1 million to £37.6 million. This was an improvement from the previous year, when the draw down from revenue reserves was £14.4 million, and excludes the special dividends accounted as capital (as referred to above) of £7.2 million. The capital reserve arising from capital gains on investments sold, which could also be used to help fund dividend payments, rose by £24.7 million to £296.6 million.

NAV Total Return

City of London's NAV total return was 20.0%, a decent recovery after the 14.6% negative return in the previous year. City of London was behind relative to the FTSE All-Share Index over the year under review by 1.5%, but ahead over the last six months of the period by 1.2%. While City of London is behind the FTSE All-Share Index over periods up to five years, reflecting the underperformance of higher yielding "value" shares, it is 19.0% ahead over 10 years with a 104.5% return.

In general, large capitalisation, defensive stocks, which had performed well in the early stages of the pandemic and continued to pay dividends throughout, disappointed overall during the period under review. City of London has greater exposure to such companies than most competitors and its performance lagged the averages for the AIC UK Equity Income and IA UK Equity Income OEIC sectors over the 12 months. More details on performance can be found in the Fund Manager's Report.

Share Issues

City of London's shares remained in demand during the year, except during a few days in September 2020 when 1,175,000 shares were bought back into Treasury, at a discount to net asset value, for a total cost of £3,736,000. These shares were subsequently reissued at a premium to net asset value, for total proceeds of £3,860,000. A further 29,220,000 ordinary shares were issued at a premium to NAV for proceeds of £109.8 million. Given the extent of demand for new shares and the potential risk of exhausting the authority granted by shareholders for new share issues at last year's Annual General Meeting, the Board convened a General Meeting on 18 June 2021 to authorise a further increase. Over the last 10 years, we have issued 220.8 million shares, at a premium to net asset value, increasing our share capital by 98%.

The Board

Philip Remnant retired as Chairman at the Annual General Meeting in October 2020. As I said in the Update for the half-year ended 31 December 2020, Philip was an outstanding leader of the Company and I know shareholders will join the Board in thanking him and wishing him well for the future.

Having served on the Board for nine years, Martin Morgan will retire at this year's Annual General Meeting. I should like to thank Martin for his wise counsel. Clare Wardle will succeed Martin as Senior Independent Director.

We also welcome Ominder Dhillon as a new Director. Ominder, who joined the Board on 1 September 2021, was Global Head of Institutional Distribution at M&G from 2015 to 2020 and Managing Director of Global Business Development at Impax Asset Management from 2011 to 2015.

Deputy Fund Manager

The Board is pleased to announce that David Smith has been appointed Deputy Fund Manager. David, who has been the Fund Manager of Henderson High Income Trust plc since 2013 and of the UK portfolio of The Bankers Investment Trust PLC since 2017, has regularly attended our Board meetings for the last three years. He has a close working relationship

Chairman's Statement (continued)

with Job Curtis, our long-standing Fund Manager, having been a member of Janus Henderson's Global Equity Income Team for nine years.

Environmental, Social & Governance

Environmental, social and governance ("ESG") considerations have become an increasing priority across the investment management sector as the evidence of the destructive impact of climate change and the importance of effective governance, including diversity, has required a proactive response from investors. City of London's position on ESG-related issues has received close attention at our Board meetings over the last year. While the Company will not exclude companies or sectors that can help it to meet its income and capital growth investment objective, the Fund Manager takes ESG-related risks and opportunities into careful consideration in the selection of stocks for the portfolio. An analysis by Sustainalytics, a Morningstar-owned company widely used for ESG analytics, shows that City of London's portfolio rates slightly below average for ESG risks compared with the FTSE All-Share Index. Please see pages 29 to 32 for more detail of the analysis by Sustainalytics and a description of how ESG considerations feature in the Fund Manager's investment process.

Annual General Meeting

The 2021 Annual General Meeting ("AGM") will be held, subject to Covid-19 restrictions, at the offices of Janus Henderson Investors, 201 Bishopsgate, London EC2M 3AE, on Thursday, 28 October 2021. The meeting will include a presentation by our Fund Manager, Job Curtis. For any shareholders unable to travel, we invite you to join by Zoom, the conferencing software provider. As is our normal practice, there will be live voting for those physically present at the AGM. Due to technical restrictions, we cannot offer live voting by Zoom, and we therefore request all shareholders, and particularly those who cannot attend physically, to submit their votes by proxy to ensure that their vote counts at the AGM.

Outlook

The improved profits and dividends reported by companies recently in respect of the first half of 2021 demonstrate the strength of the economic recovery after the sharp fall in 2020. This turnabout has been helped by the unprecedented monetary and fiscal stimulus orchestrated by central banks and governments globally. In the UK, the high household savings ratio accumulated as a result of restrictions on activities, such as overseas holidays, is expected to be released through markedly increased consumer spending.

The recent rise in inflation is being interpreted by many commentators as transitory, with higher commodity prices, especially for oil and gas, being a key driver. The global fiscal and monetary stimulus is expected to be wound down as the recovery becomes more established, subject to the continuing success of vaccines against Covid-19, especially if inflation becomes more persistent. Markets have become used to ultra-low interest rates and large-scale central bank buying of government bonds. A change in policy for these measures will be a test and may result in a degree of turbulence.

The UK equity market offers good relative value as can be seen by the large number of takeover bids in recent months, including the approach for Wm Morrison Supermarkets, where City of London has a shareholding. Dividend declarations by some of our investee companies during the last quarter of the 12 month period and during the first two months of the next financial year have been particularly encouraging and, if sustained, will materially improve our full year revenue return next year. Given this, together with the quality of the companies in our portfolio and the advantages of our closed-ended investment trust status, we are confident of building on City of London's unique 55-year record of annual dividend increases and of continuing to provide reliable returns.

Sir Laurie Magnus
Chairman
20 September 2021

Portfolio Snapshot

Forty Largest Investments as at 30 June 2021

The 40 largest investments, representing 76.71% of the portfolio, are listed below.

Position	Company	Sector	Market value £'000	Portfolio %
1	British American Tobacco	Tobacco	71,680	3.88
2	Diageo	Beverages	68,522	3.71
3	Rio Tinto	Industrial Metals and Mining	54,136	2.93
4	Unilever	Personal Care, Drug and Grocery Stores	52,247	2.83
5	M&G	Investment Banking and Brokerage Services	49,213	2.66
6	RELX	Media	49,187	2.66
7	Royal Dutch Shell	Oil, Gas and Coal	47,546	2.57
8	Phoenix	Life Insurance	46,780	2.53
9	BAE Systems	Aerospace and Defence	42,543	2.30
10	HSBC	Banks	41,313	2.24
Top 10			**523,167**	**28.31**
11	Imperial Brands	Tobacco	41,260	2.23
12	GlaxoSmithKline	Pharmaceuticals and Biotechnology	40,666	2.20
13	National Grid	Gas, Water and Multi-utilities	39,226	2.12
14	BP	Oil, Gas and Coal	39,217	2.12
15	BHP	Industrial Metals and Mining	39,037	2.11
16	SSE	Electricity	38,638	2.09
17	AstraZeneca	Pharmaceuticals and Biotechnology	38,466	2.08
18	St. James's Place	Investment Banking and Brokerage Services	38,033	2.06
19	Tesco	Personal Care, Drug and Grocery Stores	36,564	1.98
20	Anglo American	Industrial Metals and Mining	33,906	1.84
Top 20			**908,180**	**49.14**
21	Schroders	Investment Banking and Brokerage Services	33,022	1.79
22	Reckitt Benckiser	Personal Care, Drug and Grocery Stores	31,985	1.73
23	Persimmon	Household Goods and Home Construction	31,355	1.70
24	Wm Morrison	Personal Care, Drug and Grocery Stores	29,604	1.60
25	Legal & General	Life Insurance	29,238	1.58
26	Direct Line Insurance	Non-life Insurance	28,927	1.57
27	Verizon Communications	Telecommunications Service Providers	28,391	1.54
28	Lloyds Banking	Banks	28,014	1.52
29	Nestlé	Food Producers	27,069	1.47
30	Vodafone	Telecommunications Service Providers	26,695	1.45
Top 30			**1,202,480**	**65.09**
31	Barclays	Banks	25,668	1.39
32	Severn Trent	Gas, Water and Multi-utilities	24,308	1.32
33	IG	Investment Banking and Brokerage Services	22,869	1.24
34	Ferguson	Industrial Support Services	22,110	1.20
35	Taylor Wimpey	Household Goods and Home Construction	20,425	1.10
36	Land Securities	Real Estate Investment Trusts	20,262	1.10
37	Prudential	Life Insurance	19,916	1.08
38	Munich Re	Non-life Insurance	19,843	1.08
39	Segro	Real Estate Investment Trusts	19,701	1.07
40	Tate & Lyle	Food Producers	19,198	1.04
Top 40			**1,416,780**	**76.71**

Convertibles and all classes of equity in any one company are treated as one investment.

Portfolio Snapshot (continued)

Classification of Investments and Portfolio Weighting as at 30 June 2021

		Portfolio %	FTSE All-Share Index %	Relative to the FTSE All-Share Index percentage points
Energy	Oil, Gas and Coal	5.3	7.5	(2.2)
		5.3	7.5	(2.2)
Basic Materials	Chemicals	1.6	0.9	0.7
	Industrial Metals and Mining	6.9	8.1	(1.2)
	Precious Metals & Mining	–	0.4	(0.4)
		8.5	9.4	(0.9)
Industrials	Aerospace and Defence	2.3	1.5	0.8
	Construction and Materials	1.0	1.6	(0.6)
	Electronic and Electrical Equipment	1.8	1.1	0.7
	General Industrials	2.0	2.0	–
	Industrial Engineering	–	0.7	(0.7)
	Industrial Support Services	1.6	4.5	(2.9)
	Industrial Transportation	–	1.4	(1.4)
		8.7	12.8	(4.1)
Consumer Staples	Beverages	4.7	3.7	1.0
	Food Producers	2.5	0.7	1.8
	Personal Care, Drug and Grocery Stores	8.1	8.0	0.1
	Tobacco	6.1	3.3	2.8
		21.4	15.7	5.7
Health Care	Health Care Providers	–	0.2	(0.2)
	Medical Equipment and Services	0.6	0.7	(0.1)
	Pharmaceuticals and Biotechnology	6.8	8.4	(1.6)
		7.4	9.3	(1.9)
Consumer Discretionary	Automobiles and Parts	–	0.1	(0.1)
	Consumer Services	–	1.2	(1.2)
	Household Goods and Home Construction	3.4	1.7	1.7
	Leisure Goods	–	0.2	(0.2)
	Media	2.9	3.0	(0.1)
	Personal Goods	–	0.5	(0.5)
	Retailers	1.3	2.2	(0.9)
	Travel and Leisure	1.4	3.5	(2.1)
		9.0	12.4	(3.4)
Telecommunications	Telecommunications Service Providers	4.3	2.2	2.1
	Telecommuncations Equipment	0.5	0.1	0.4
		4.8	2.3	2.5
Utilities	Electricity	2.1	0.7	1.4
	Gas, Water and Multi-utilities	4.7	2.2	2.5
		6.8	2.9	3.9
Financials	Banks	5.8	7.4	(1.6)
	Closed End Investments	–	6.9	(6.9)
	Finance and Credit Services	–	1.4	(1.4)
	Investment Banking and Brokerage Services	8.6	3.1	5.5
	Life Insurance	5.2	3.0	2.2
	Non-life Insurance	3.8	0.8	3.0
		23.4	22.6	0.8
Real Estate	Real Estate Investment Trusts	3.2	2.5	0.7
	Real Estate Investment and Services	–	0.6	(0.6)
		3.2	3.1	0.1
Technology	Software and Computer Services	1.5	1.9	(0.4)
	Technology Hardware and Equipment	–	0.1	(0.1)
		1.5	2.0	(0.5)
Total		**100.0**	**100.0**	–

Fund Manager's Report

Job Curtis

"Overall, companies across the portfolio are well placed to build on the better recent dividend experience, based on profit growth and cash generation."

Fund Manager's Report

Investment Background

For the first four months of the period under review, share prices drifted against a background of uncertainty as to when the Covid-19 virus would be controlled and the threat of economically damaging lockdowns curtailed. The announcements that highly effective vaccines from Pfizer, Moderna and AstraZeneca had been developed led to a sharp rise in the stock market. The rally was led by companies with most to benefit from the reopening of the economy and which had suffered since the start of the pandemic. In contrast, those companies which had been most defensive during the first months of the pandemic, underperformed during the stock market recovery.

FTSE All-Share Index Total Return (rebased to 100)

Source: Refinitiv Datastream, as at 30 June 2021. Rebased to 100 as at 30 June 2020

UK economic growth, which had suffered a severe contraction during the second quarter of 2020, recovered over the next 12 months. The Bank of England kept the base rate at the exceptionally low level of 0.1% and engaged in quantitative easing, buying the gilts issued by the government to fund the budget deficit. 10-year gilt yields, which were only 0.17% at 30 June 2020, rose over the 12 months as economic growth improved and inflation picked up, and were 0.75% at 30 June 2021. The dividend yield of the FTSE All-Share Index on a historic, 12-month trailing basis fell during the period as shown by the chart below. This was partly caused by the dividend cuts, omissions and cancellations first announced in 2020 but also by the rise in the market. Nevertheless, the UK equity market yield remained significantly above the yields of 10-year gilts and of the base rate.

FTSE All-Share Index dividend yield, UK 10-year gilt yield and UK base rate

Source: Refinitiv Datastream, as at 30 June 2021

City of London's gearing was 9.7% at 30 June 2020 and rose to 12.0% by 31 October 2020. During the remaining eight months of the period under review, gearing fell as the market rallied and it was 6.9% at 30 June 2021. City of London's final remaining debenture, worth £30 million with an 8.5% coupon, was redeemed on 31 January 2021 and replaced with a £30 million Private Placement Note with a fixed annual interest rate of 2.67% for a term of 25 years.

London Brent Crude Oil Index (ICE) US$/bbl

Source: Refinitiv Datastream, as at 30 June 2021

The reopening of economies and recovering growth boosted demand for oil while OPEC, the cartel of oil producing nations, kept disciplined control of supply. Over the 12-month period, the price of oil rose to $75/barrel, an increase of 83%, and this was a significant factor in the rise of inflation.

UK £ vs Euro and US$

Source: Refinitiv Datastream, as at 30 June 2021

Sterling strengthened over the 12 months, rising 11% to 1.38 against the US dollar and by 5% to 1.16 against the euro. The UK's trade deal with the European Union at the end of 2020 removed some uncertainty and the relatively fast roll-out of vaccines in the UK was a help to sterling. The US dollar may have suffered from the magnitude of the expansion of the federal budget deficit. The rise in sterling had an adverse effect on the value of City of London's overseas-listed holdings.

Fund Manager's Report (continued)

Performance Review

Estimated performance attribution (relative to the FTSE All-Share Index total return)

	2021 %	2020 %
Stock selection	-3.80	+0.90
Gearing	+2.49	-2.40
Expenses	-0.38	-0.36
Share issues/buy backs	+0.27	+0.26
Total	-1.42	-1.60

Source: Janus Henderson

With City of London being geared between 6.9% and 12.0% while the equity market was rising, gearing contributed positively by 2.49%. Stock selection detracted by 3.80%, mainly due to the portfolio's bias towards large, defensive companies. Verizon Communications, Nestlé, Novartis, Merck and Munich Re were all in the top seven stock detractors but had performed well the previous year, during the first stage of the pandemic, and paid their dividends throughout. With less scope to recover, they underperformed and their value also suffered from an adverse translation effect with the rise of sterling.

Not holding Glencore (a mining company) was the biggest stock detractor, but this was partly offset by our positions elsewhere in the mining sector in Rio Tinto, BHP and Anglo American, which produced share price total returns of 41%, 36% and 59% respectively. The mining companies benefited from strong commodity prices, especially for iron ore, due to demand from China. The iron ore price rose by 112% over the 12 months.

Iron Ore (US$/metric tonne)

Source: Refinitiv Datastream, as at 30 June 2021

The underweight position in AstraZeneca was the biggest stock contributor, followed by the holdings within the financial sectors of M&G and St James's Place. Also among the top 10 stock contributors were: La Française des Jeux (French national lottery operator), Halfords (auto parts and bicycle retailer) and IMI (engineer).

A key influence on performance was the relative returns of large, medium-sized and small companies.

FTSE 100, 250 and Small Cap Indices total return
(rebased to 100)

Source: Refinitiv Datastream, as at 30 June 2021. Indices rebased to 100 as at 30 June 2020. Indices are total return

As can be seen from the chart above, medium-sized (FTSE 250 Index) and small companies (FTSE Small Cap), which in general were more exposed to the reopening of the economy, significantly outperformed with respective returns of 33% and 50%. In contrast, large companies, which tend to be more defensive and have greater international exposure, produced a return of 18%, as measured by the FTSE 100 Index. City of London is predominantly invested in large capitalisation equities, where the dividend experience was better than the rest of the market but underperformed in terms of total return.

Distribution of the portfolio as at 30 June 2021

Source: Janus Henderson, 30 June 2021

Over the 12 months, the proportion of the portfolio invested in UK-listed companies outside the FTSE 100 rose from 11% to 15% while the proportion in UK-listed large capitalisation companies (FTSE 100) slipped from 75% to 72% and in overseas listed from 14% to 13%.

Fund Manager's Report (continued)

Portfolio Changes

In managing the portfolio, various fundamental factors are considered, including financial, qualitative, environmental, social, governance and valuation. A summary of the approach can be found on pages 29 to 32. The aim is to buy into companies with prospects of long-term growth in profits and dividends at a reasonable valuation. The corollary of this approach to buying is to sell when shares become overvalued. In our view, expensive shares become vulnerable to a derating if they disappoint high expectations.

A good example of the process can be found in three complete sales of stocks from City of London's portfolio during the period under review. Halma (health and safety product manufacturer), Spirax-Sarco Engineering and Renishaw (precision measuring equipment) were bought over 10 years ago and have performed very well, both through growth in profits but also a significant share price rerating. In our view, they were expensive relative to their prospects and offered dividend yields of less than 1%. Large profits were taken and the proceeds recycled across the portfolio into shares offering better value.

The financial sectors were a part of the market where, in our view, prospects for earnings and dividend growth were undervalued. What used to be called the "financial services" sector has been somewhat misleadingly renamed "investment banking and brokerage services" when none of the stocks City of London holds in this sector are investment banks. Significant additions were made in this sector to M&G (fund manager and life assurer) and IG Group (online trading company), but TP ICAP was sold after a change in strategy involving a large acquisition, rights issue and dividend cut. The portfolio's exposure to investment banking is through HSBC and Barclays, which are banking conglomerates and classified in the "banks" sector. Additions were also made to a number of other holdings in the financial sectors: Phoenix and Legal & General (life assurance) and Direct Line and Sabre (non-life insurance). A new holding was bought in Beazley, a specialist reinsurer operating primarily in the London market through its Lloyds syndicates, with a diversified book of specialty insurance risks.

Food retailers offered stable cash flow, asset backing and historically cheap valuations. Additions were made to the holdings in Wm Morrison and Tesco. Towards the end of the period under review, Wm Morrison received takeover approaches from two different private equity groups.

BAE Systems is the UK's leading defence contractor, but its largest business is in the US, which makes up 43% of sales. Additions were made to the holding given the attractive valuation and much improved operational delivery. The small holding in Meggitt was sold because of its greater exposure to civil aerospace where prospects seemed uncertain, although it subsequently received a takeover bid.

In utilities, significant additions were made to SSE, which, having sold its retail business, is focused on networks and renewable energy. SSE is the UK's biggest generator of electricity from wind farms and has a substantial programme of investment going forward. It is well placed to benefit from the UK's growing demand for renewable energy.

It was a good year for the housing market with low interest rates and stamp duty savings available to buyers of homes. Additions were made to Persimmon which paid several large dividends.

Share prices of companies exposed to the reopening of the economy made a strong recovery from depressed levels. However, there was still uncertainty about the extent of the reopening for some sectors, such as travel and leisure. With the resumption of dividend payments likely to be some way off, complete sales were made in the travel and leisure sector of Carnival (cruise ship operator), National Express (bus and coach operator) and Ten Entertainment (bowling). A complete sale was also made of the holding in Greggs, but in this case the speed and scale of recovery was underestimated.

There were two other new holdings. Cisco Systems, the US technology company, is the leading provider of data networking products using internet protocol technology. The new network products that Cisco has developed are faster than previous ones and investment in 5th generation mobile technology will help demand. Synthomer is a speciality chemical company with a leading position in the manufacture of nitrile latex used in rubber gloves. The company is strongly cash generative, giving options for capital returns or acquisitions.

Portfolio Outlook

Consumer staples companies, which make everyday goods that are regularly purchased, comprise 21.4% of the portfolio and include three of the four largest holdings (British American Tobacco ("BAT"), Diageo and Unilever). Such companies are global and not dependent on any one country as well as providing exposure to the growth of emerging markets. They own valuable brands but need skill to market and develop them. A good example has been how Diageo has grown its tequila sales in the US through its Don Julio and Casamigos brands. BAT is strongly cash generative and very cheaply rated based on current year earnings and dividends. Balanced against this is the harmful effect on health of smoking. In our view, BAT will be able to replace profits from cigarettes with its next generation less harmful nicotine products, over the long term.

Rio Tinto ended the period under review as the third largest holding in the portfolio. It has benefited from the strong demand for iron ore (which is used in the making of steel) from China. The company has delivered strong profits growth and large dividend payments, but its year was seriously marred by

Fund Manager's Report (continued)

the destruction of the exceptionally significant heritage site at Juukan Gorge in Australia. Rio's Chief Executive resigned but, given our view of how the company had handled this incident, we voted at its annual general meeting against its remuneration report and the re-election of the chairs of its remuneration and sustainability committees. The other mining companies held in the portfolio, BHP (15th largest portfolio holding) and Anglo American (20th largest) also had a good year for profits and dividends. Total mining exposure is 6.9% of the portfolio and while the short-term outlook remains good for commodity prices, at some point they will turn down again, adversely impacting profits.

There is less in the portfolio in the oil sector (5.3% of the portfolio) than in mining. Royal Dutch Shell is the seventh largest holding and BP 14th largest. In 2020, both companies made large dividend cuts, Royal Dutch Shell by 67% and BP by 50%, but have since started growing their dividends again. Both companies are also attempting a long-term pivot away from their traditional oil and gas operations to renewable energy. Royal Dutch Shell and BP's share prices have lagged the recovery of the oil price and should do better as they continue to grow their dividends.

Utilities make up 6.8% of the portfolio, with the two largest holdings being National Grid (13th largest holding in the portfolio) and SSE (16th largest). Both companies will benefit from the increasing electrification of the economy and demand for renewable energy.

23.4% of the portfolio is invested in financial sectors and the largest holdings are M&G (fifth largest in the portfolio), Phoenix (eighth largest) and HSBC (tenth largest). M&G is a mixture of asset manager and life assurer with strong potential for capital generation and dividend payments. Phoenix is the leading manager in the UK of closed life insurance books but is also growing its open business. HSBC's banking operations are centred on Asia Pacific where substantial wealth creation is taking place. Balanced against this are the political risks in Hong Kong.

Overall, companies across the portfolio are well placed to build on the better recent dividend experience based on profit growth and cash generation. In the selection of stocks for the portfolio, a conservative, valuation-based approach will continue to be used.

Job Curtis
Fund Manager
20 September 2021

Portfolio Information

Sector Breakdown of Investments as at 30 June 2021

	Valuation £'000
ENERGY	
Oil, Gas and Coal	
Royal Dutch Shell	47,546
BP	39,217
Total[1]	11,464
	98,227
Total Energy	**98,227**
BASIC MATERIALS	
Chemicals	
Croda International	8,473
Synthomer	8,357
Victrex	6,620
Johnson Matthey	5,531
	28,981
Industrial Metals and Mining	
Rio Tinto	54,136
BHP	39,037
Anglo American	33,906
	127,079
Total Basic Materials	**156,060**
INDUSTRIALS	
Aerospace and Defence	
BAE Systems	42,543
	42,543
Construction and Materials	
Ibstock	11,851
Marshalls	6,380
	18,231
Electronic and Electrical Equipment	
IMI	16,065
XP Power	11,160
Rotork	5,957
	33,182
General Industrials	
Mondi	12,356
Siemens[1]	10,923
Smiths	8,035
Swire Pacific[1]	4,959
	36,273
Industrial Support Services	
Ferguson	22,110
PayPoint	7,075
	29,185
Total Industrials	**159,414**

	Valuation £'000
CONSUMER STAPLES	
Beverages	
Diageo	68,522
Britvic	9,370
Coca-Cola[1]	8,616
	86,508
Food Producers	
Nestlé[1]	27,069
Tate & Lyle	19,198
	46,267
Personal Care, Drug and Grocery Stores	
Unilever	52,247
Tesco	36,564
Reckitt Benckiser	31,985
Wm Morrison	29,604
	150,400
Tobacco	
British American Tobacco	71,680
Imperial Brands	41,260
	112,940
Total Consumer Staples	**396,115**
HEALTH CARE	
Medical Equipment and Services	
Smith & Nephew	11,593
	11,593
Pharmaceuticals and Biotechnology	
GlaxoSmithKline	40,666
AstraZeneca	38,466
Novartis[1]	17,364
Merck[1]	15,763
Johnson & Johnson[1]	12,401
	124,660
Total Health Care	**136,253**

[1] Overseas listed

All classes of equity in any one company are treated as one investment.

Portfolio Information (continued)

	Valuation £'000
CONSUMER DISCRETIONARY	
Retailers	
Kingfisher	10,570
Halfords	8,624
DFS	4,480
	23,674
Media	
RELX	49,187
Daily Mail & General	4,820
	54,007
Household Goods and Home Construction	
Persimmon	31,355
Taylor Wimpey	20,425
Berkeley	10,798
	62,578
Travel and Leisure	
La Française des Jeux[1]	19,133
Young	3,449
Go-Ahead	2,683
	25,265
Total Consumer Discretionary	**165,524**
TELECOMMUNICATIONS	
Telecommunications Service Providers	
Verizon Communications[1]	28,391
Vodafone	26,695
Deutsche Telekom[1]	13,396
Orange[1]	11,142
	79,624
Telecommunications Equipment	
Cisco Systems[1]	9,591
	9,591
Total Telecommunications	**89,215**
UTILITIES	
Electricity	
SSE	38,638
	38,638
Gas, Water and Multi-utilities	
National Grid	39,226
Severn Trent	24,308
United Utilities	12,161
Pennon	11,261
	86,956
Total Utilities	**125,594**

	Valuation £'000
FINANCIALS	
Banks	
HSBC	41,313
Lloyds Banking	28,014
Barclays	25,668
Nationwide Building Society 10.25% Var Perp CCDS	12,164
	107,159
Investment Banking and Brokerage Services	
M&G	49,213
St. James's Place	38,033
Schroders	33,022
IG	22,869
Brewin Dolphin	15,985
	159,122
Life Insurance	
Phoenix	46,780
Legal & General	29,238
Prudential	19,916
	95,934
Non-life Insurance	
Direct Line Insurance	28,927
Munich Re[1]	19,843
Sabre Insurance	10,837
Hiscox	6,653
Beazley	4,321
	70,581
Total Financials	**432,796**
REAL ESTATE	
Real Estate Investment Trusts	
Land Securities	20,262
Segro	19,701
British Land	13,610
Hammerson	5,543
	59,116
Total Real Estate	**59,116**
TECHNOLOGY	
Software and Computer Services	
Microsoft[1]	17,646
Sage	10,714
	28,360
Total Technology	**28,360**
TOTAL INVESTMENTS	**1,846,674**

[1] Overseas listed

All classes of equity in any one company are treated as one investment.

Historical Information

Total Return Performance to 30 June 2021

	1 year %	3 years %	5 years %	10 years %
NAV per ordinary share[1]	20.0	5.3	28.2	104.5
FTSE All-Share Index	21.5	6.3	36.9	85.5
AIC UK Equity Income sector average – NAV[2]	26.4	9.9	40.3	117.3
UK Equity Income OEIC sector average	25.4	5.5	33.7	92.3

Share Price Performance Total Return to 30 June 2021

Value of £1,000 with net income reinvested	1 year £	3 years £	5 years £	10 years £
The City of London Investment Trust plc[3]	1,212.5	1,046.4	1,296.4	2,006.0
FTSE All-Share Index	1,214.6	1,062.8	1,368.6	1,854.7
AIC UK Equity Income sector average	1,283.1	1,125.4	1,449.7	2,156.3
UK Equity Income OEIC sector average	1,254.3	1,054.8	1,336.6	1,973.6

Ten Year Net Asset Value and Dividend Record

Year ended	Net asset value per ordinary share (p)[4]	Net asset value per ordinary share (rebased) (%)[5]	Net dividends per ordinary share (p)	Net dividends per ordinary share (rebased) (%)[5]
30 June 2011	300.0	100.0	13.20	100.0
30 June 2012	292.9	97.6	13.74	104.1
30 June 2013	343.6	114.5	14.30	108.3
30 June 2014	377.5	125.8	14.76	111.8
30 June 2015	386.3	128.8	15.30	115.9
30 June 2016	382.2	127.4	15.90	120.5
30 June 2017	421.3	140.4	16.70	126.5
30 June 2018	429.2	143.1	17.70	134.1
30 June 2019	421.2	140.4	18.60	140.9
30 June 2020	344.0	114.7	19.00	143.9
30 June 2021	**387.6**	**129.2**	**19.10**	**144.7**

Historical dividend

Historical NAV

1 Net asset value per share with income reinvested
2 AIC UK Equity Income sector size weighted average NAV total return (shareholders' funds)
3 Share price total return using mid-market closing price
4 Net asset value per ordinary share is calculated after deducting all prior charges, including the preference and preferred ordinary stocks, at par
5 Rebased to 100 at 30 June 2011
Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream
A glossary of Alternative Performance Measures is on pages 86 and 87

Business Model

Our Purpose, Values and Culture

The Company's purpose is to deliver growth in income and capital to shareholders by investing in equities listed on the London Stock Exchange. We do this by following a disciplined process of investment and by controlling costs and using borrowings to enhance returns.

Good governance is at the heart of any company and is integral to ensuring its success and sustainability as a business. The Board aspires to follow high standards of governance, with a culture based upon openness, mutual respect, integrity, constructive challenge and trust. The Board seeks always to act in the best interests of shareholders, making the most effective use possible of the diversity of skills and experience of the Directors. This culture of openness and constructive challenge extends to the Board's interaction with the Manager, being the Company's most important service provider. The Board expects the Manager and all of the Company's other service providers to hold values which align with the high standards promoted by the Board.

Structure

The Company operates as an investment company. Under this structure, the Board delegates operational matters to specialised third-party service providers. Their performance is monitored and challenged by a Board of Directors which retains oversight of the Company's operations.

The framework of delegation provides a cost-effective mechanism for delivering operations whilst allowing the Company to take advantage of the capital gains treatment afforded to investment trusts which are approved under Section 1158/9 of the Corporation Tax Act 2010 as amended ("s.1158/9"). The closed-ended nature of the Company enables the Fund Manager to take a longer-term view on investments and supports a fully invested portfolio as the Company has no redemptions to meet. A significant advantage over other investment fund structures is the ability to use leverage to increase returns for shareholders.

The Board comprises entirely non-executive Directors accountable to shareholders, who have the ability to remove a Director from office where they deem it to be in the interests of the Company.

The Company's Status

The Company is registered as a public limited company, founded in 1891, and is an investment company as defined in Section 833 of the Companies Act 2006 ("the Act"). The Company is not a close company. It operates as an investment trust in accordance with s.1158/9 and has obtained approval from HMRC for its status. The Directors are of the opinion that the Company has conducted its affairs in compliance with s.1158/9 since approval was granted and intends to continue to do so.

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority ("FCA"). The Company is also listed on the Main Board of the New Zealand Stock Exchange and is subject to the NZX Listing Rules. The Company is a member of the Association of Investment Companies ("AIC").

The Company and the Board are governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

Investment Objective

The Company's objective is to provide long-term growth in income and capital, principally by investment in equities listed on the London Stock Exchange. The Board fully recognises the importance of dividend income to shareholders.

Investment Policy

As part of its annual strategic review, the Board approved a change to the investment policy, which came into effect on 1 July 2021. The investment policy has been amended to remove reference to at least 60% of the portfolio being invested in companies in the FTSE 100 Index, and to replace this with at least 60% being invested in large companies with a market capitalisation greater than £5 billion at the time of investment. The remainder of the portfolio will continue to be invested in medium-sized and small companies and the restriction of a maximum of 20% of the portfolio being invested in overseas companies remains unchanged. The Board believes that this change will remove an unnecessary constraint and provide the Fund Manager with some additional investment flexibility whilst maintaining the Company's focus on investment in large cap companies. The full investment policy as amended is set out below.

Asset allocation

While the Company will mainly invest in equities, there is the flexibility to invest in debt securities, such as convertibles, corporate bonds or government debt, if it is deemed that these will, at a particular time or for a particular period, enhance the performance of the Company in the pursuit of its objective.

The Company has a portfolio invested predominantly in larger companies. Typically at least 60% of the portfolio by value will be invested in large companies (being companies with a market capitalisation greater than £5 billion at the time of investment). The remainder of the portfolio will be invested in medium-sized and small companies. No more than 20% of the portfolio will be invested in overseas listed stocks.

There are no set limits on sector exposures, although the Board regularly monitors the Company's investments and the Manager's investment activity. The Manager primarily employs a bottom-up value-based investment process to identify suitable opportunities and pays particular regard to cash generation and dividends.

The portfolio yield will usually be between 10% and 30% above the average dividend yield for the UK equity market. There may

Business Model (continued)

be some holdings, selected for their above average growth potential, which have a dividend yield lower than the market.

Gearing

The Company will at times utilise limited gearing, both short and long term, in order to enhance performance. Other than in exceptional market conditions, gearing will not exceed 20% of net asset value at the time of draw down of the relevant borrowings. Up to 10% of the net assets can be held in cash.

Selling traded options where the underlying share is held in the portfolio can be used to generate income. Buying and selling FTSE 100 Index Futures can be used to increase or reduce gearing.

Diversification

The Company achieves an appropriate spread of investment risk principally through a broadly diversified portfolio.

The Company will not invest more than 15% of its portfolio in any single investment on acquisition, nor will it invest more than 15% of the portfolio in any other UK listed investment trusts or investment companies.

Any material change to the investment policy would require the prior approval of both shareholders and the FCA.

Benefits

The Company's business model offers numerous advantages:

- it provides investors with access to a professionally and actively managed portfolio of assets;
- it offers investors exposure to large UK companies;
- it enables investors to spread the risks of investing;
- it enhances returns to investors by operating as an approved investment trust meaning no capital gains tax is paid on the realisation of investments;
- the closed end structure allows the Fund Manager to take a longer-term view on investments and remain fully invested;
- the ability to use leverage to increase returns for investors; and
- oversight by a Board of Directors wholly independent of the Manager.

Investment Approach

Our Fund Manager, Job Curtis, has managed the Company's portfolio since 1 July 1991. He is a member of Janus Henderson's Global Equity Income team and is assisted by David Smith, Deputy Fund Manager. He manages the portfolio in a conservative way, focusing on companies with cash-generative businesses able to grow their dividends with attractive yields. The portfolio is well diversified, with some 72% invested in well-known blue chip UK-listed companies at the year end, but it remains biased towards international companies invested in economies likely to grow faster than the UK. In times when savers have difficulty receiving adequate returns on their investments, the portfolio aims to provide shareholders with dividends between 10% and 30% higher than the FTSE All-Share Index.

The Fund Manager is committed to maintaining a diversified portfolio and has structured the portfolio so that shareholders stand to gain in the short term through quarterly dividends, while long-term capital appreciation is central to stock-picking decisions with a view to matching shareholders' investment horizons.

Liquidity and Discount Management

Our aim is for the Company's share price to reflect closely its underlying net asset value, and also to reduce volatility and have a liquid market in the shares. The ability to influence this meaningfully over the longer term is, of course, limited. However, the Board intends, subject always to the overall impact on the portfolio, the pricing of other investment companies and overall market conditions, to consider issuance and buybacks within a narrow band relative to net asset value. We believe that flexibility is important and that it is not in shareholders' interests to have a specific issuance and buyback policy.

Promoting the Company's Success

Section 172 statement

The Board regards a well-governed business as essential for the successful delivery of its investment proposition.

The Directors carry out their duties under Section 172 of the Act to act in good faith to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decisions in the long term, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment and the desirability of the Company maintaining a reputation for high standards of business conduct.

Shareholders' assets are managed taking account of the Company's stakeholders and their interests. The Board has mapped who the stakeholders are to support it in identifying and understanding them and fostering the appropriate level and form of interaction with them.

The Company has no employees, premises, assets other than financial assets, or operations. The Board engages reputable third-party suppliers with established track records to deliver day-to-day operations. The most important of these is the Manager, in particular the relationship with the Fund Manager, who is responsible for the management of the Company's assets in line with the investment objective, the Corporate Secretary, the Director and Head of Investment Trusts and the Financial Reporting Manager for Investment Trusts. The Board maintains a close working relationship with the Manager and

Business Model (continued)

holds it to account for the smooth running of the Company's day-to-day business. There is continuous engagement and dialogue between Board meetings, with communication channels remaining open and information, ideas and advice flowing freely between the Board and the Manager.

The Board retains responsibility for decisions over corporate strategy, corporate governance, risk and internal control assessment, investment performance monitoring and setting marketing budgets. It also determines the overall limits and restrictions for the portfolio, including gearing and asset allocation.

The Fund Manager promotes the Company with the support of the Manager's dedicated investment trust sales team and the Board makes additional spend available to support marketing activities aimed at raising the profile of the Company among retail investors in the UK.

As the Manager holds the overall day-to-day relationship with the Company's other third-party suppliers, the Board places reliance on the Manager in this regard. The Board is confident that Janus Henderson has developed and maintains good working relationships with all of the Company's third-party suppliers. To ensure the chosen service providers continue to deliver the expected level of service, the Board receives regular reports from them, evaluates the control environments in place at each service provider and formally assesses their appointment annually. By doing so, the Board seeks to ensure that the key service providers continue to be appropriately remunerated to deliver the level of service that it demands of them.

The Directors are responsive to the views of shareholders and the Company's wider stakeholders, who may contact the Board via the Corporate Secretary (please refer to page 92 for contact details). See pages 23 to 25 for further details on how the Board interacts with its key stakeholders.

For more information about the responsibilities with which the Board and its Committees are charged, please refer to the Corporate Governance Report (pages 39 to 45), the Audit Committee Report (pages 46 to 48), the Nominations Committee Report (pages 49 and 50), the Directors' Remuneration Report (pages 51 to 54) and the Directors' Report (pages 36 to 38) in addition to the Strategic Report. The schedule of matters reserved for the Board as well as the terms of reference for each of the Committees of the Board can be found on the Company's website.

Decision-making

The Directors take the Section 172 considerations into account in all material decisions of the Board. Examples of this can be seen in the year under review as follows.

Change to the investment policy

The Board keeps the Company's investment policy under regular review to ensure it remains appropriate to achieving the Company's investment objective. As part of its annual strategic review, the Board approved a change to the policy, which came into effect on 1 July 2021. With the changing make-up of the FTSE 100 Index, this change will remove an unnecessary constraint and provide the Fund Manager with some additional investment flexibility. Details are set out on page 20.

Issue of new long-term debt

With the repayment of the remaining £30 million debenture stock in January 2021, the Board reviewed the Company's borrowing position. Taking into consideration the advantages of gearing for an investment trust, the Company's performance record over the longer term and the low interest rates that were available, the Board approved the issue of £30 million of new long-term secured notes. The notes were issued at a fixed coupon of 2.67%, significantly lower than the interest rate the Company had been paying on the debenture stock.

Issuing and buying back the Company's shares

During the year, the Company has continued to issue and, on occasion, to buy back shares. As set out on page 21, the Board's aim is for the Company's share price to reflect closely its underlying net asset value, and also to reduce volatility and have a liquid market in the shares. A General Meeting was convened and held on 18 June 2021 to renew the authority of shareholders for the issue of shares as the existing authorities had been substantially used. The Board felt that it was in shareholders' interests for the Company to be able to continue to issue shares while they were trading at a premium to NAV.

Dividends paid to shareholders

As set out in its investment objective, the Board recognises the importance of dividend income to its shareholders. Notwithstanding the difficulties posed by Covid-19, the Board has been able to maintain its policy of increasing the total dividend each year. One of the advantages of an investment trust is the ability to retain surplus income. With the revenue reserves that had been built up over the years, the Company was able to draw on these to ensure that there was no disruption to dividends for shareholders. The capital reserve arising on investments sold is also available to fund the dividend, if necessary.

Business Model (continued)

Engagement with Key Stakeholders

The Company's key stakeholders are its shareholders and investors, the Manager and other third-party service providers and the companies in which it invests. Wider stakeholders include the Company's lenders and regulatory and legislative bodies. Interaction is facilitated through meetings (both face-to-face and via video conferencing and other electronic means), seminars, presentations, publications and the Company's website. Set out below are examples of the way the Board and the Company interacts with its stakeholders.

Stakeholders	Engagement	Outcome
Shareholders and investors	Shareholders rely on the Company to deliver sustainable and reliable returns on investment, with regular, ongoing income. The Board believes that its primary focus should be on providing an excellent service to its shareholders and it seeks to ensure that the Company is accessible and available. The Board is committed to maintaining open channels of communication with shareholders. Unlike trading companies, the Directors appreciate that this often takes the form of meeting with the Fund Manager rather than members of the Board. Shareholders are able to meet with the Fund Manager throughout the year and the Manager provides information on the Company and videos of the Fund Manager on the Company's website and via various social media channels. The Manager's sales and marketing team, the broker and external marketing research providers (Kepler) also meet with shareholders and analysts. Feedback from all meetings is shared with the Board. The Chairman, Senior Independent Director and other members of the Board are available to meet with shareholders. The annual report and half-year update are circulated to shareholders and made available on the Company's website. These provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly fact sheet. In normal circumstances, the Board meets with shareholders at the Annual General Meeting, which also includes a Fund Manager presentation on the Company's performance and future outlook, and a Q&A session where shareholders have the opportunity to address questions to the Chairman of the Board, the Fund Manager and all Directors. Shareholders can raise issues or concerns with the Directors at any time by writing to the Chairman at the registered office. The Senior Independent Director is also available to shareholders if they have concerns that have not been addressed through the normal channels. Correspondence from shareholders is shared with the Chairman immediately and with the Board at each meeting.	Clear communication of the Company's strategy and performance against its objective helps shareholders to make informed decisions about their investments. Close interaction with shareholders enables the Board to run the Company in line with shareholders' interests as a whole and for the Company's long-term success. Due to the restrictions on large gatherings in place at the time, shareholders were unable to attend the Annual General Meeting on 27 October 2020 in person and it was held as a 'closed meeting'. The Board provided shareholders with the facility to vote electronically as well as by post and ensured that voting on the resolutions was held on a poll. The Board was pleased to note that the voting turnout for the meeting remained in line with prior years. A presentation from the Fund Manager was made available to watch on the Company's website on the day of the Annual General Meeting and shareholders were also able to submit questions to the Board and Fund Manager in advance of the meeting. A General Meeting was held on 18 June 2021 to renew the authority of shareholders for the issue of shares as the existing authorities had been substantially used. The Board had felt that it was in shareholders' interests for the Company to be able to continue to issue shares while they were trading at a premium to NAV. Whilst it was again necessary to hold a 'closed meeting', the Board followed the same voting process as for the Annual General Meeting. The Board is pleased to invite shareholders to attend the 2021 Annual General Meeting. Further details are on page 37 and in the Notice of Meeting.

Business Model (continued)

Stakeholders	Engagement	Outcome
Manager	The Board sets and oversees the parameters for the Manager's activities, including asset allocation, gearing and risk management. The Fund Manager attends all Board meetings. The Board receives timely and accurate information from the Manager at meetings and engages with the Fund Manager and Corporate Secretary between meetings as well as with other representatives as and when necessary. In addition to reporting at each meeting, the Board meets with key representatives of the Manager throughout the year to develop strategy, assess internal controls and risk management, and to discuss the sales and marketing activities to promote the success of the Company and raise its profile.	The Company is well managed and the Board places great value on the expertise and experience of the Fund Manager to execute the investment objective and deliver returns for shareholders, and on the Manager's internal controls and risk management. The Board has approved the appointment of David Smith as Deputy Fund Manager to support Job Curtis. Throughout the course of the Covid-19 pandemic the Board has been in regular contact with the Manager, receiving updates on areas such as portfolio activity, gearing and the impact on income and the Company's ability to meet its investment objective.
Service providers	As an investment company, all services are outsourced to third-party service providers. The Board considers the Company's key service providers to be the Manager, Broker, Depositary, Registrar, Auditor and Administrator. The Board regularly considers the support provided by the service providers, including quality of service, succession planning and any potential interruption of service or other risks to provision. The Board is conscious of the need to foster good business relationships with its suppliers as well as its shareholders and others. The Manager maintains the overall day-to-day relationship with the service providers and reports back to the Board on performance.	The Manager provided information and assurances to the Board at the beginning of the pandemic to confirm that all its employees (including the Fund Manager) could work from home without disruption to 'business as usual'. The Manager also contacted all of the Company's third-party service providers to obtain similar confirmations. The Directors were reassured that the transition to new working arrangements at Janus Henderson and other service providers had been seamless. The arrangements were kept under review during the year and the Directors are satisfied that high standards have been maintained and that the internal control and risk management framework was continuing to operate effectively at Janus Henderson and the other service providers.
Investee companies	The Board sets the investment objective and discusses stock selection and asset allocation with the Fund Manager regularly. On behalf of the Company, the Manager engages with the investee companies, exercising good stewardship practices, including a focus on ESG matters with an approach agreed with the Board.	The fund management team regularly conducts face-to-face and/or virtual meetings with portfolio companies' management teams to enable them to understand current trading and prospects for their businesses. The Manager is a responsible investor and has a dedicated Governance and Responsible Investment Team that the Fund Manager can utilise when making investment decisions and voting.

Business Model (continued)

Stakeholders	Engagement	Outcome
Communities and the environment	The Board mandates the Manager, supported by its governance function, to engage with investee companies at the appropriate time on ESG matters in line with good stewardship practices. The Board is also conscious of the importance of providing an investment product which meets the needs of its investors, including retail investors and pensioners.	The Board is conscious of the need to take appropriate account of broader ESG concerns and to act as a good corporate citizen. The Board believes the Company provides an accessible, affordable and reliable investment for retail and institutional investors. A reliable dividend stream from a prudently invested fund is particularly important in an era of great uncertainty and an increasing requirement on individuals to organise their own pensions and investments.

Managing our Risks

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks and uncertainties facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and reputation.

The Board regularly considers the principal risks facing the Company and has drawn up a matrix of risks. The Board has also put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are set out in the table below. The principal financial risks are detailed in note 16 to the financial statements.

Principal risks	Mitigating measure
Global pandemic The impact that the coronavirus pandemic could have on the Company's investments and its direct and indirect effects, including the effect on the global economy.	The Fund Manager maintains close oversight of the Company's portfolio, and in particular the dividend strategies of investee companies. Regular stress testing of the revenue account under different scenarios for dividends is carried out. The Board also maintains close oversight of the third-party service providers which assist in the administration of the Company.
Portfolio and market price Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on equity shareholders' funds. The wider consequences of Brexit on employment and regulation together with resultant, adverse trade negotiations may impact the Company's investments.	The Board reviews the portfolio at the seven Board meetings held each year and receives regular reports from the Company's brokers. A detailed liquidity report is considered on a regular basis. The Fund Manager closely monitors the portfolio between meetings and mitigates this risk through diversification of investments. The Fund Manager periodically presents the Company's investment strategy in respect of current market conditions. Performance relative to the FTSE All-Share Index, other UK equity income trusts and IA UK Equity Income OEICs is also monitored. The majority of the Company's investments are multi-national companies with operations in local markets.
Dividend income A reduction in dividend income could adversely affect the Company's dividend record.	The Board reviews income forecasts at each meeting. The Company has revenue reserves of £37.6 million (before payment of the fourth interim dividend) and distributable capital reserves of £296.6 million.
Investment activity, gearing and performance An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark.	The Board has an annual meeting focused on strategy at which investment performance, the level of gearing and the level of premium/discount is reviewed. The Board also reviews a schedule of expenses and revenue forecasts at each meeting.

Business model (continued)

Principal risks	Mitigating measure
Tax and regulatory Changes in the tax and regulatory environment could adversely affect the Company's financial performance, including the return on equity. A breach of s.1158/9 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Company must also ensure compliance with the Listing Rules of the New Zealand Stock Exchange.	The Manager provides its services, inter alia, through suitably qualified professionals and the Board receives internal control reports produced by the Manager on a quarterly basis, which confirm legal and regulatory compliance. The Fund Manager also considers tax and regulatory change in his monitoring of the Company's underlying investments.
Operational Disruption to, or failure of, the Manager's or its Administrator's (BNP Paribas Securities Services) accounting, dealing or payment systems or the Depositary's records could prevent the accurate reporting and monitoring of the Company's financial position. Cyber crime could lead to loss of confidential data. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service.	The Board monitors the services provided by the Manager and its other suppliers and receives reports on the key elements in place to provide effective internal control. Cyber security is closely monitored and the Audit Committee receives an annual presentation from Janus Henderson's Chief Information Security Officer. The Board considers the loss of the Fund Manager as a risk but this is mitigated by the experience of the team at Janus Henderson as detailed on page 35.

Emerging risks

In addition to the principal risks facing the Company, the Board also regularly considers emerging risks, which are defined as potential trends, sudden events or changing risks which are characterised by a high degree of uncertainty in terms of the probability of them happening and the possible effects on the Company. Should an emerging risk become sufficiently clear, it may be moved to a significant risk.

The Board has identified heightened political tensions in and among a number of countries around the world which have the potential to increase the risk of market volatility. The Fund Manager keeps the global political and economic picture under review as part of the investment process.

The Company's Viability

The AIC Code of Corporate Governance includes a requirement for the Board to assess the future prospects for the Company, and to report on the assessment within the Annual Report.

The Board considers that certain characteristics of the Company's business model and strategy are relevant to this assessment:

- The Board looks to ensure that the Company seeks to deliver long-term performance.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested mainly in readily realisable, UK-listed securities and that the level of borrowings is restricted.
- The Company is a closed end investment company and therefore does not suffer from the liquidity issues arising from unexpected redemptions.
- The Company has an ongoing charge of 0.38%, which is lower than other comparable investment trusts.

Also relevant were a number of aspects of the Company's operational agreements:

- The Company retains title to all assets held by the Custodian under the terms of formal agreements with the Custodian and Depositary.
- Long-term borrowing is in place, being 4.53% secured notes 2029, 2.94% secured notes 2049 and 2.67% secured notes 2046 which are subject to formal agreements, including financial covenants with which the Company complied in full during the year. The 8.5% debenture stock 2021 was repaid on 31 January 2021. The value of long-term borrowing is relatively small in comparison to the value of net assets, being 6.6%.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board meeting. This includes stress testing of the forecast under different scenarios.
- Cash is held with approved banks.

In addition, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's business model, including future performance, liquidity and solvency, and considered emerging risks that could have a future impact on the Company.

Business Model (continued)

The principal risks identified as relevant to the viability assessment were those relating to investment portfolio performance and its effect on the net asset value, share price and dividends, and threats to security over the Company's assets. The Board took into account the liquidity of the Company's portfolio, the existence of the long-term fixed rate borrowings, the effects of any significant future falls in investment values and income receipts on the ability to repay and renegotiate borrowings, grow dividend payments and retain investors and the potential need for share buybacks to maintain a narrow share price discount. The Directors assess viability over five-year rolling periods, taking account of foreseeable severe but plausible scenarios. In coming to this conclusion, the Directors have considered the impact of the Covid-19 pandemic, in particular the impact on income and the Company's ability to meet its investment objective.

The Directors believe that a rolling five-year period best balances the Company's long-term objective, its financial flexibility and scope with the difficulty in forecasting economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to June 2026.

Borrowings

The Company has a borrowing facility of £120.0 million (2020: £120.0 million) with HSBC Bank plc, of which £10.0 million was drawn at the year end (2020: £22.9 million).

The £30 million debenture stock was repaid on 31 January 2021. On 19 March 2021, the Company issued an additional £30 million of fixed rate 25-year secured notes, repayable on 19 March 2046. The Company now has £114.1 million (2020: £84.3 million) (par value) of secured notes in issue (fair value of the loan notes: £128.5 million (2020: £104.0 million)).

The level of gearing at 30 June 2021 was 6.9% of net asset value (2020: 9.7%).

Fee Arrangements with the Manager

The Board has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited in accordance with an agreement which was effective from July 2014 and can be terminated on six months' notice. Both entities are authorised and regulated by the Financial Conduct Authority, and form part of the Janus Henderson group of companies. References to "Janus Henderson" or the "Manager" refer to the services provided to the Company by the Manager's group.

The management fee is 0.325% per annum of net assets under management. Fees are payable quarterly in arrears based on the level of net assets at the relevant quarter end. There is no performance fee arrangement in place.

Janus Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of the Manager, by BNP Paribas Securities Services. Henderson Secretarial Services Limited acts as the Corporate Secretary.

Measuring our Performance

In order to measure the success of the Company in meeting its objective and to evaluate the performance of the Manager, the Directors take into account the following Key Performance Indicators ("KPIs"):

KPI	Action
Performance against market indices	The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and the FTSE All-Share Index. During the year under review, the Company's net asset value underperformed the Index by 1.5% (2020: underperformed by 1.6%) on a total return basis.

Business Model *(continued)*

KPI	Action
Performance against the Company's peer group	The Company is included in the AIC UK Equity Income sector. The Board considers the size-weighted average net asset value total return of its AIC peer group at each Board meeting. During the year under review, the Company underperformed the peer group by 6.4% (2020: underperformed by 0.3%).
Performance against the OEIC sector	The Board considers the performance of the portfolio against the IA UK Equity Income OEIC sector. During the year under review, the Company underperformed the OEIC sector by 5.4% (2020: underperformed by 0.9%).
Premium/discount to net asset value ("NAV")	The Board's aim is for the Company's share price to reflect closely its underlying net asset value. At each meeting, the Board monitors the level of the Company's premium/discount to NAV per share and reviews the average premium/discount for the Company's AIC sector. At 30 June 2021, the Company's shares were trading at a premium of 1.5% to NAV (2020: 0.4% premium) with debt at fair value.

Business Model (continued)

KPI	Action
Ongoing charge	The Board regularly reviews the ongoing charge and monitors Company's expenses. For the year ended 30 June 2021, the ongoing charge as a percentage of shareholders' funds was 0.38% (2020: 0.36%).

The charts and data on pages 2 and 3 also on page 18 show how the Company has performed against these KPIs. A glossary of terms and alternative performance measures is included on pages 86 to 88.

Environmental, Social and Governance Matters ("ESG")

How we integrate Environmental, Social and Governance considerations in our investment decisions

The Board believes that integrating ESG into investment decision-making and ownership practices is an important factor for delivering the investment outcomes our shareholders seek. ESG considerations are therefore a fully embedded component of the investment process employed by the Fund Manager, and the wider Janus Henderson investment teams.

Defining ESG

Environmental factors include climate change, use of natural resources, pollution, waste management, water usage and deforestation.

Social factors include corporate culture, diversity, health and safety, community relations and supply chain management.

Governance factors include business ethics, board composition, remuneration and shareholder rights.

Investment considerations

Sustainability of business models is crucial to the Company's investment strategy. The Company's investment philosophy is valuation driven, with a dividend yield considered the most important measure of value. As such, a considerable amount of time is spent by the Fund Manager identifying fundamental factors, including ESG factors which may impact profits, cash flow and dividends and ensuring that investee companies have robust policies and processes in place to manage these.

While the Fund Manager does not specifically exclude any company based on ESG considerations, the Fund Manager would seek to avoid companies where ESG risks are not sufficiently considered or managed. As the Fund Manager strives to understand all drivers of company performance, he also strives to understand the risks. An evaluation of ESG factors is integral to this.

Governance is a key part of fundamental factor analysis with good corporate governance supportive of long-term decision-making and investment returns. The significance of environmental and social factors can vary depending on the sector and the region in which a company operates. Nonetheless, each ESG factor, in addition to the quantitative and qualitative assessments, is an important consideration when evaluating the opportunity in an equity investment.

Fundamental factors considered vary, but may include:

Financial Analysis	Dividend sustainability, free cash flow, operating margin, balance sheet strength, leverage, profitability, earnings growth.
Qualitative Evaluation	Competitive position, industry trends, business volatility, business model, barriers to entry, exposure to disruption.
Environmental	Pollution, carbon emissions, water usage, waste management, resource use, sustainable sourcing.
Social	Health and safety, employee relations, diversity and inclusion, employee development, data privacy, supply chain management.
Governance	Shareholder alignment, board independence, shareholder rights, business ethics, voting structure, remuneration, board experience, accounting standards.
Valuation	Dividend yield, free cash flow, price to earnings ratio ("P/E"), earnings per share ("EPS"), enterprise value/earnings before interest, tax, depreciation and amortisation ("EV/EBITDA") and dividend cover.

Business Model (continued)

The Manager engages Sustainalytics, a leading firm researching and rating ESG factors globally, to support investment research. Sustainalytics can also be used to monitor the holdings within the Company and analyse its overall ESG risk exposure. Analysis by Sustainalytics shows the Company's portfolio as at 30 June 2021.

Overall ESG Risk Rating

Source: Sustainalytics, City of London and benchmark weights as at 30 June 2021. Sustainalytics risk data as at 4 August 2021

The ESG risk rating measures the unmanaged ESG risk of a business and the degree to which the business' economic value is at risk from ESG factors. A lower score indicates less exposure to ESG risk. It is important to note that all companies have some level of systemic ESG risk which cannot be managed. The risk ratings are aggregated for the City of London portfolio and the benchmark, the FTSE All-Share Index. The Company's ESG risk is 3% lower than the benchmark, as assessed by Sustainalytics.

ESG Risk category

Source: Sustainalytics, City of London and benchmark weights as at 30 June 2021. Sustainalytics risk data as at 4 August 2021

The Sustainalytics ESG risk categories sort securities into five groups based on a company's exposure to ESG risks which could cause material financial impact. The Company's portfolio has no exposure to companies considered to have severe exposure to material ESG risks and less exposure to high and medium-risk stocks than the benchmark. The Company's portfolio is more weighted towards lower ESG risk stocks than the benchmark.

Carbon Emissions

Source : ISS, as at 30 June 2021
Note: ISS Climate Impact data including Scope 1 (direct), Scope 2 (purchased electricity), Scope 3 (other indirect not included in Scope 2)
tCO2e: tonnes of carbon dioxide equivalent

The above chart shows the direct and indirect carbon emissions of the holdings in both the Company and the benchmark. These emissions are based on the assets under management of the Company compared to an equivalent portfolio of assets under management invested in the benchmark. Scope 1 and 2 emissions are the direct emissions from a company's operations and scope 3 emissions are indirect emissions. The Company's carbon emissions are 39% lower than the benchmark.

Engagement and Stewardship

Stewardship is a fundamental part of the Manager's long-term, active approach to investment management. Strong ownership practices, including engagement with management and boards, can help protect and enhance long-term shareholder value. Janus Henderson supports the UK Stewardship Code and is a founding member of the UN Principles of Responsible Investment ("UN PRI"). Additionally, Janus Henderson is a supporter of a number of broader ESG initiatives such as the Access to Medicine Index which aims to improve availability of healthcare in developed and emerging markets and Climate Action 100+, an investor-led initiative to engage with heavily emitting companies to reduce their greenhouse gas emissions.

As a part of the research process, portfolio managers and analysts meet frequently with company management, senior executives and boards, with Janus Henderson conducting thousands of meetings per year. These meetings typically occur prior to initiating a position and throughout the holding period. The portfolio managers develop long-term relationships with the management of firms in which they invest. Should concerns arise over a firm's practices or performance, they would seek to leverage these constructive relationships by engaging with company management or express their views through voting on management or shareholder proposals. Escalation of engagement activities depends upon a company's individual circumstances.

Business Model (continued)

Voting

The Board believes that voting at general meetings is an important aspect of corporate stewardship, and a means of signalling shareholder views on board policy, practices and performance. The Board has delegated responsibility for voting the rights attached to the shares held in the Company's portfolio to the Manager, who actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Investment Principles, which set out the Manager's approach to corporate governance, corporate responsibility and compliance with the Stewardship Code, and are publicly available on the Manager's website at **www.janushenderson.com**. To retain oversight of the process, the Directors regularly receive reports on how the Manager has voted the shares held in the Company's portfolio, and they review the ESG Investment Principles at least annually.

In the period under review, the shares in the Company's portfolio were voted in respect of 91 meetings. The level of governance in leading global companies is generally of a high standard in terms of best practice, which meant support in favour of the resolutions proposed by management was warranted. However, in respect of 29 resolutions (<2% of the resolutions proposed), support was not warranted and, following discussion between the Fund Manager and Janus Henderson's governance team, the shares were voted against the board recommendation. On occasion, the Fund Manager takes voting decisions after consultation with the Chairman on behalf of the Board.

As an active manager, Janus Henderson's preference is to engage with management and boards to resolve issues of concern rather than to vote against shareholder meeting proposals. This approach is more likely to be effective in influencing company behaviour. The Fund Manager therefore actively seeks to engage with companies throughout the year and in the lead up to the annual shareholder meeting to discuss any potentially controversial agenda items. However, where he believes that proposals are not in shareholder interests or where engagement proves unsuccessful, he will vote against.

Voting record

In terms of the resolutions not supported, these covered two predominant themes relating to executive remuneration and shareholder proposals requesting improved company reporting on issues such as corporate lobbying.

Source: Janus Henderson using Institutional Shareholder Services ("ISS") categories
Note: Some meetings had more than one vote against management.
*Anti-takeover related to five votes against management at one meeting
**We routinely vote against proposals labelled 'other business'. Many companies put forward proposals labelled 'other business'. This is a request to allow the board and shareholders to raise other issues and discuss them at the meeting. It is often a routine request, however as it could potentially lead to subsequent approval of items without prior disclosure to minority shareholders, we routinely vote against these items.

The environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons, the Company considers itself to be a low energy user under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose energy and carbon information.

Business Model (continued)

Janus Henderson, the Company's Manager, recognises the importance of managing its operational activities in a sustainable way and minimising any adverse impact on the environment. To this end, Janus Henderson has made the following commitments:

- maintain a carbon neutral status;
- reduce carbon use by 15% per full-time employee over a three-year period – starting January 2019; and
- maintain a Carbon Disclosure Project ("CDP") score of B, which is higher than the financial services sector average CDP score of C (CDP scores range from A to D, with A being the best).

Business ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Board Diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Nominations Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. The Board welcomes the recommendations from the Hampton-Alexander Review on gender diversity on boards and the Parker Review about ethnic representation on boards, and is pleased to report that it is in compliance with their recommendations. Our prime responsibility is the strength of the Board and our overriding aim in making any new appointments is always to select the best candidate based on objective criteria and merit. See page 50 for further details of the Board's diversity policy.

At the date of this report, the Board comprises six Directors, of which four are male and two are female.

Approval

The Strategic Report has been approved by the Board.

On behalf of the Board

Sir Laurie Magnus
Chairman
20 September 2021

Directors and Fund Manager

Directors

Sir Laurie Magnus

Position: Chairman of the Board and Nominations Committee

Date of Appointment:
1 March 2020 (Chairman on 27 October 2020)

Skills and Experience: Sir Laurie has over 40 years of experience in corporate finance markets and over 15 years as a member of investment supervisory bodies, including as a director of various investment trusts. He has held senior positions at institutions including Samuel Montagu, Phoenix Securities, Donaldson Lufkin & Jenrette and Lexicon Partners (latterly as Chairman prior to its merger with Evercore). He is currently a non-executive adviser to Evercore's European business.

Current External Appointments:
Chairman of Pantheon International plc. In the not-for-profit sector, Sir Laurie is Chairman of The Historic Buildings and Monuments Commission for England (Historic England) and Windsor Leadership and a trustee of English Heritage Trust and All Churches Trust.

Samantha Wren

Position: Chair of the Audit Committee

Date of Appointment:
1 September 2015 (Chair of the Audit Committee on 7 July 2016)

Skills and Experience: Samantha has extensive accounting and auditing experience. She was the Group Chief Finance Officer and Chief Operating Officer of NEX Group plc, having previously held senior finance roles at its predecessor company, ICAP plc. Prior to ICAP plc, she held several senior finance roles at the gaming group, The Rank Group plc, where she was also a Director of the Rank Pension Plan Trustee Limited. She qualified as a Chartered Management Accountant at Rentokil Initial plc.

Current External Appointments:
Chief Executive of IPGL Limited, a privately-owned investment company and a non-executive Director of Chapel Down Group plc, where she is also chair of the remuneration committee.

Robert Holmes (Ted)

Position: Director

Date of Appointment:
1 January 2018

Skills and Experience: Ted has a strong background in investment management. Ted joined the Board following a twenty-year career at UBS Asset Management. During that time, he worked as a managing director in both the Chicago office (previously Brinson Partners) and London office (previously Phillips and Drew) in a variety of positions, from analyst to European Head of Equities. Prior to UBS, he worked for Ernst & Young where he earned his Certified Public Accountant license. He has an MBA from the University of Chicago Booth School of Business and is a qualified Chartered Financial Analyst.

Current External Appointments:
Director of Blue Ocean Investment Partners Limited.

Directors and Fund Manager (continued)

Martin Morgan

Position: Senior Independent Director

Date of Appointment:
1 March 2012

Skills and Experience: Martin has substantial experience in media and business-to-business operations. Martin was Chief Executive of Daily Mail and General Trust plc until May 2016, having joined the Group in 1989. He was previously Chief Executive of dmg information and also Chairman of Signal Media Limited and a non-executive Director of Euromoney Institutional Investor plc.

Current External Appointments:
Chairman of Wilmington plc and the Advisory Committee of MMC Ventures Ltd.

Martin will be retiring from the Board at the Annual General Meeting.

Clare Wardle

Position: Director

Date of Appointment:
1 November 2019

Skills and Experience: Clare brings to the Board considerable international experience in risk, governance, competition and compliance. Between 2010 and May 2016, Clare played a leading role in many development and expansion projects as Group General Counsel at Kingfisher – Europe's largest home improvement retail group. She is a non-executive Director of Modern Pentathlon GB. Before joining Kingfisher, Clare was Company Secretary and General Counsel of Tube Lines Limited and prior to this she was Head of Post Office Ltd Legal. She was also formerly a non-executive Director of ViaCode Limited, Chair of Basketball England and a trustee of the Friendly Almshouses. Clare was called to the bar in 1984, joined Lovells in 1986 and moved to the Post Office in 1996.

Current External Appointments:
General Counsel and Company Secretary of Coca-Cola Europacific Partners plc, which she joined in May 2016.

Ominder Dhillon

Position: Director

Date of Appointment:
1 September 2021

Skills and Experience: Ominder brings to the Board strong investment knowledge across public and private markets, especially in regard to sustainable investing, sales and marketing expertise and a good understanding of governance and risk management. He was, until January 2020, Global Head of Institutional Distribution at M&G plc. Prior to that, from 2011 to 2015, he was Head of Distribution at Impax Asset Management. He was also formerly Head of UK and Ireland at Fidelity International and Director of Institutional Sales at Scottish Widows Investment Partnership.

Current External Appointments:
Trustee of UK charity, Facing History and Ourselves.

Fund Manager

Job Curtis has been City of London's Fund Manager since 1 July 1991. After graduating from Oxford University in 1983 with a BA Hons in Philosophy, Politics and Economics, he joined Grieveson, Grant stockbrokers as a trainee. In 1985, he joined Cornhill Insurance as an assistant fund manager and then moved to Touche Remnant in 1987 where he became a fund manager. Touche Remnant was taken over by Henderson Group plc in 1992 and Job is currently a member of Janus Henderson's Global Equity Income team.

Deputy Fund Manager

David Smith is a Fund Manager on the Janus Henderson Global Equity Income Team, a position he has held since 2008. David manages the Henderson High Income Trust plc, the UK portfolio of The Bankers Investment Trust PLC and a number of UK equity institutional funds. He joined Janus Henderson in 2002, initially working in operations and progressing to the UK Equities Team, and is now part of the Global Equity Income Team. David graduated with a BSc degree (Hons) in Chemistry from Bristol University. He holds the Investment Management Certificate and the Chartered Financial Analyst designation.

All Directors are independent of Janus Henderson.
All Directors are members of the Nominations Committee.
The Audit Committee consists of Samantha Wren, Ted Holmes, Clare Wardle and Ominder Dhillon.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 June 2021.

The Investment Portfolio on pages 16 and 17, Corporate Governance Statement, Audit Committee Report and Nominations Committee Report on pages 39 to 50, Statement of Directors' Responsibilities on page 55 and Securities Financing Transactions, Alternative Performance Measures and other information on pages 84 to 92 form part of the Directors' Report.

Results and Dividends

The results for the year are set out in the financial statements. Two interim dividends of 4.75p each and two interim dividends of 4.80p each, totalling 19.1p per share, have been declared and paid in respect of the year to 30 June 2021, an increase of 0.5% over the previous year. See note 10 on page 73 for more information. No final dividend is being proposed.

A review of the year and the outlook for the forthcoming year can be found in the Strategic Report.

Directors

The Directors of the Company are listed on pages 34 and 35. All served throughout the period under review with the exception of Ominder Dhillon, who was appointed as a non-executive Director on 1 September 2021. Philip Remnant retired from the Board on 27 October 2020.

Martin Morgan will be retiring at the forthcoming Annual General Meeting. In accordance with the recommendations of the AIC Code of Corporate Governance, Mr Dhillon will stand for election at the forthcoming Annual General Meeting and the remaining Directors of the Board will offer themselves for re-election.

The beneficial interests of the current Directors and their connected persons in the securities of the Company as at 30 June 2021 are set out in the Directors' Remuneration Report on page 53. Details of Directors' insurance and indemnification are set out on page 43.

Share Capital

There are no restrictions on the transfer of the Company's share capital and there are no shares or stock which carry specific rights with regards to control of the Company. The Company is not aware of any agreements or arrangements between holders of securities which would result in restrictions on the transfer of securities or voting rights.

The Company's equity and non-equity share capital comprises:

Ordinary shares of 25p nominal value each

The voting rights of the ordinary shares on a poll are one vote for every 15 shares held. At the beginning of the year, there were 416,404,868 ordinary shares in issue. During the year, 29,220,000 new ordinary shares with a nominal value of £7,305,000 (representing 7.0% of the number of shares in issue at the beginning of the year) were issued to Cenkos Securities plc at a price range of 351.0p – 399.2p for total proceeds (net of commissions) of £109,811,000.

1,175,000 shares with a nominal value of £293,750 (representing 0.3% of the issued share capital), were bought back in the market and placed into treasury for total proceeds (net of commissions) of £3,736,000. These shares were subsequently sold to Cenkos Securities plc at a price range of 321.0p – 351.0p, for total proceeds (net of commissions) of £3,860,000.

At 30 June 2021, the number of ordinary shares in issue (with voting rights) was 445,624,868. There are no shares in treasury.

925,000 new shares have been issued since 30 June 2021 and up to 17 September 2021, being the last practicable date prior to publication of the Annual Report. No shares have been bought back since the year end.

Cumulative first preference stock

The voting rights of the first preference stock on a poll are one vote per £10 of stock held. At 1 July 2020 and at 30 June 2021 there was £301,982 of first preference stock in issue.

Non-cumulative second preference stock

Second preference stockholders have no rights to attend and vote at general meetings (except on the winding-up of the Company or if dividends are in arrears). At 1 July 2020 and at 30 June 2021 there was £507,202 of second preference stock in issue.

Non-cumulative preferred ordinary stock

The voting rights of the preferred ordinary stock on a poll are one vote per £20 of stock held. At 1 July 2020 and at 30 June 2021 there was £589,672 of preferred ordinary stock in issue.

Further details on the first and second preference stock and the preferred ordinary stock are contained in note 15 on pages 75 and 76.

Total voting rights

At 30 June 2021, the total voting rights in the Company were 29,768,006, comprising 29,708,324 ordinary share voting rights (99.8%), 30,198 first preference stock voting rights (0.1%) and 29,484 preferred ordinary stock voting rights (0.1%).

Shareholder authorities

The Directors seek annual authority from the shareholders to allot new ordinary shares, to dis-apply the pre-emption rights of existing shareholders and to buy back, for cancellation or to be held in treasury, the Company's ordinary shares. In addition, the Directors seek annual authority to buy back and cancel the Company's preferred and preference stocks.

At the annual general meeting held on 27 October 2020, the Directors were granted authority to allot up to 41,522,988 ordinary shares (with an aggregate nominal amount of £10,380,747) for cash and to repurchase 62,242,957 ordinary

Directors' Report (continued)

shares (with a nominal value of £15,560,739) for cancellation or to be held in treasury. Subsequently, at the general meeting held on 18 June 2021, the Directors were granted authority to allot up to 44,562,484 ordinary shares (with an aggregate nominal amount of £11,140,621) for cash, replacing the residual authorities granted at the annual general meeting. 925,000 shares have been issued under this authority. During the year and up to the date of this report, the Directors have not bought back any preferred or preference stocks.

The Directors will once again be seeking to renew the authorities to allot and repurchase the ordinary shares at the upcoming Annual General Meeting, when the existing authorities will expire.

The Board's aim is for the Company's share price to reflect closely its underlying net asset value and have a liquid market in the ordinary shares. For this reason, the Board has, when appropriate, sought to utilise the Company's ability to issue additional ordinary shares to satisfy investor appetite and smooth share price volatility by preventing the build-up of excessive demand for the ordinary shares. By issuing the shares at a premium to NAV, the Board seeks to protect the interests of existing shareholders so they benefit from an enhancement to NAV, to increase liquidity and to spread the fixed costs of the Company over a larger asset base. The Board also seeks to ensure that the price at which new ordinary shares are issued remains attractive to potential investors.

The Directors believe that, from time to time and subject to market conditions, it continues to be in the shareholders' interests to buy back the Company's shares when they are trading at a discount to the underlying net asset value per share. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders. Authority will also be sought to renew the current authorities, which expire at the upcoming Annual General Meeting, to repurchase the preferred and preference stocks.

Holdings in the Company's Shares

There are no declarations of interests in the voting rights of the Company as at 30 June 2021 in accordance with the Disclosure Guidance and Transparency Rules of the FCA.

No changes have been notified in the period from 1 July 2021 to 17 September 2021.

Fund Manager's Interests

Job Curtis, the Fund Manager, has a beneficial interest in 291,614 shares and a non-beneficial interest in 21,527 shares.

Related Party Transactions

The Company's transactions with related parties in the year were with the Directors and the Manager. There were no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 53.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the provision of marketing services, there were no material transactions with the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in note 23 on page 82.

Financial Risk Management

The principal risks and uncertainties facing the Company are set out on pages 25 and 26. The principal financial risks and the Company's policies and procedures for managing these risks are set out in note 16 to the financial statements on pages 76 to 80.

Greenhouse Gas Emissions

The Company's environmental statements are set out in the Strategic Report on pages 29 to 32.

Annual General Meeting

The Annual General Meeting will be held on 28 October 2021 at 2.30pm. The Board invites shareholders to attend the meeting at the registered office at 201 Bishopsgate, London EC2A 3AE, or via Zoom webinar connection if travel is not preferred. The Fund Manager will present his review of the year and thoughts on the future.

There will be live voting for those physically present at the AGM. However, due to technical restrictions, the Company cannot offer live voting by Zoom, and the Board therefore requests all shareholders who cannot attend physically to submit their votes by completing the Form of Proxy. Shareholders with shares held in their own names will receive a Form of Proxy enabling them to vote; shareholders holding shares through nominee accounts, such as through a share dealing service or platform, should contact their provider directly and ask them to submit the proxy votes on their behalf.

Instructions for attending the Meeting and details of resolutions to be put to the Annual General Meeting are included in the Notice of Meeting sent with this Annual Report and are on the Company's website. If shareholders would like to submit any questions in advance of the Meeting, they are welcome to send these to the Corporate Secretary at itsecretariat@janushenderson.com.

Any change to the format of the Annual General Meeting will notified to shareholders via a Regulatory Information Service announcement and the Company's website.

Directors' Report (continued)

Directors' Statement as to Disclosure of Information to Auditors

Each of the Directors who were members of the Board at the date of approval of this report confirms that, to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditors are unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

Reappointment of Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as Auditors to the Company and a resolution proposing their reappointment and authorising the Audit Committee to determine their remuneration for the ensuing year will be put to shareholders at the Annual General Meeting. Further information in relation to their reappointment can be found in the Audit Committee Report on pages 46 to 48.

Listing Rule 9.8.4

Listing Rule ("LR") 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information for which is detailed on page 36 under Share Capital.

Securities Financing Transactions

As the Company undertakes securities lending, it is required to report on securities financing transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the accounting period ended 30 June 2021 are detailed on pages 84 and 85.

Approval

The Directors' Report has been approved by the Board.

By order of the Board

FOR AND ON BEHALF OF
HENDERSON SECRETARIAL SERVICES LTD
SECRETARY

Henderson Secretarial Services Limited
Corporate Secretary
20 September 2021

Corporate Governance Report

Corporate Governance

The Board is accountable to shareholders for the governance of the Company's day-to-day affairs and is pleased to report to shareholders on the Company's governance arrangements and how the principles of the applicable codes have been applied during the year under review.

Applicable Corporate Governance Codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the 2018 UK Corporate Governance Code ("UK Code") have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations and all day-to-day activities are outsourced to external service providers. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2019 ("AIC Code"). The AIC Code addresses the principles set out in the UK Code as well as additional principles and recommendations on issues that are of specific relevance to investment companies. The Financial Reporting Council ("FRC") has endorsed the AIC Code and confirmed that, by following it, the boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. The Board considers that reporting against the principles and provisions of the AIC Code provides more relevant information to shareholders in terms of its governance arrangements.

The Company also maintains a listing on the New Zealand Stock Exchange ("NZX") where it is classified as a Foreign Exempt Issuer. The Listing Rules of the NZX require the Company to comply with the provisions applicable to its Home Exchange, being the London Stock Exchange, at all times, notifying the NZX of any changes pertinent to the listing on the Home Exchange and ensuring that any announcements made to the Home Exchange are simultaneously released to the market in New Zealand. Accordingly, the Company reports against its compliance with the AIC Code, rather than the NZX Corporate Governance Code.

The AIC Code and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**. The AIC Code includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of Compliance

The Company has complied with the principles and provisions of the 2019 AIC Code throughout the year to 30 June 2021 except as set out below.

The Company has no chief executive or other executive directors. It therefore has no need to consider the remuneration of executive directors and has not reported further in respect of these provisions. In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function. However, the Audit Committee considers the need for such a function at least annually (see page 45 for further information).

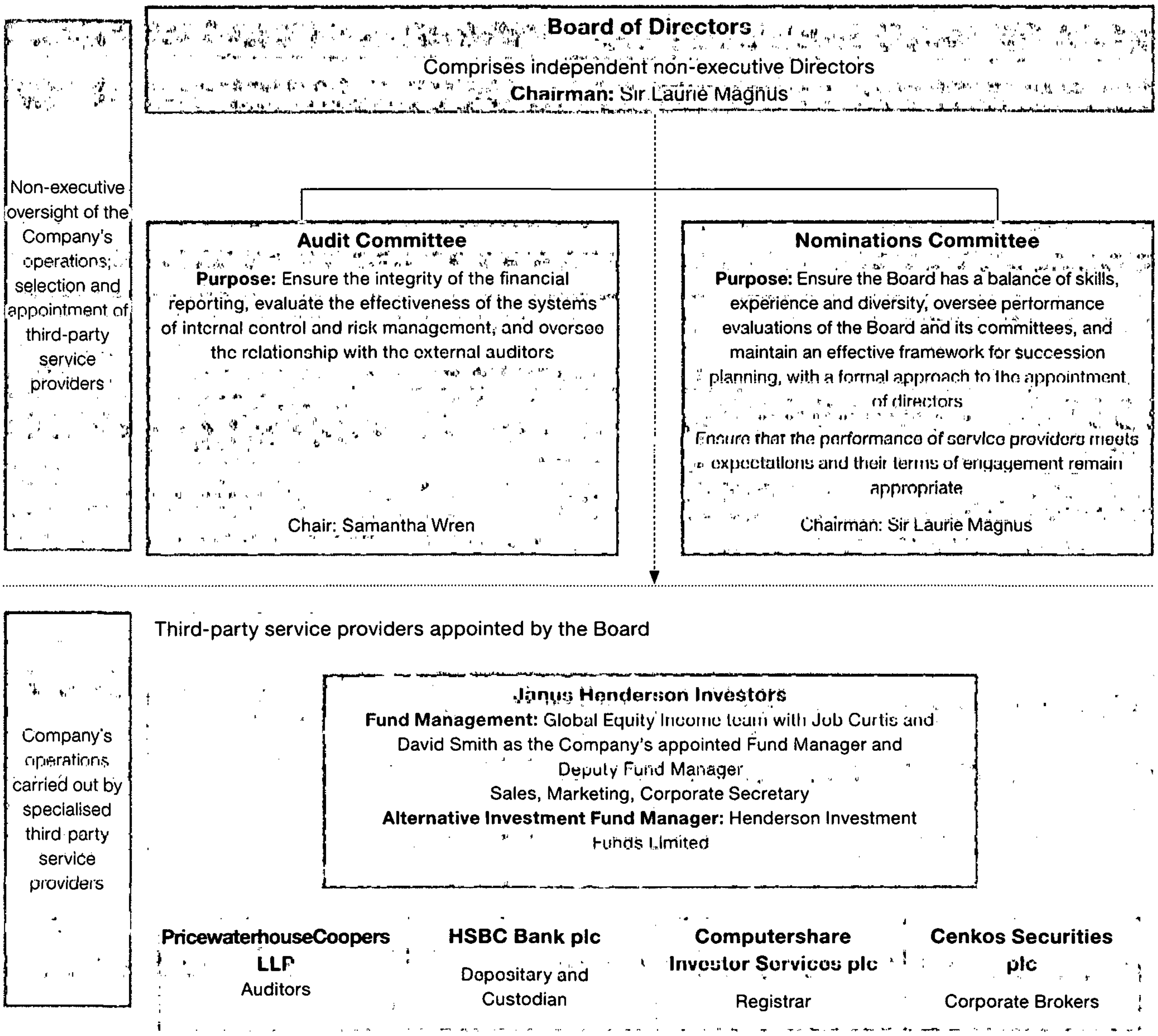
As the Company has no employees and has a small Board of solely non-executive Directors, the Board has not established a separate remuneration committee. The remuneration of Directors is dealt with by the Board as a whole.

Given the business model operated by the Company and the importance of the role of the Manager in ensuring the success of the Company, the Board believes that it remains its responsibility to keep under review the level of service provided by the Manager. It is assisted in this by the Nominations Committee, as set out in the Nominations Committee Report on pages 49 and 50. Accordingly, a separate Management Engagement Committee has not been formed.

The AIC Code includes two deviations from the UK Code permitting the Chairman of the Board to be a member of the Audit Committee and for his or her tenure to exceed nine years. The Company has not taken advantage of these provisions and continues to comply with the provisions of the UK Code in this respect.

Corporate Governance Report (continued)

Governance Structure



The Board

Board composition

The Articles of Association provide that the total number of Directors shall not be less than three nor more than seven. As at the date of this report, the Board comprises six non-executive directors, whose biographies are included on pages 34 and 35. These biographies demonstrate the breadth of investment, financial, commercial and professional experience relevant to their positions as Directors. All Directors are considered by the Board to be independent of the Manager and free of any relationship which could materially interfere with the exercise of their independent judgement.

Chairman and Senior Independent Director

Sir Laurie Magnus was appointed as Chairman of the Board on 27 October 2020, following the retirement of Philip Remnant. Sir Laurie was independent on appointment in accordance with the criteria set out in the AIC Code and has no relationships that may create a conflict of interest between his interests and those of shareholders. Details of his other significant commitments can be found on page 34. Following review by the Nominations Committee as part of the performance evaluation, the Board is satisfied that Sir Laurie has sufficient time to devote to the Company.

Corporate Governance Report (continued)

The role of the Senior Independent Director is to fulfil the role of sounding board for the Chairman and intermediary for the other Directors as necessary and to lead the performance evaluation of the Chairman, as well as acting as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate. Martin Morgan is the current Senior Independent Director. Clare Wardle will replace Mr Morgan as Senior Independent Director on his retirement at the Annual General Meeting.

Role descriptions for the Chairman and Senior Independent Director are available on the Company's website.

Role and operation of the Board

The Board has overall responsibility for the Company's affairs and for promoting the long-term success of the Company. The Board is collectively responsible for providing leadership, setting the investment objective and policy, appointing the Company's third-party service providers, establishing a robust internal control and risk management system and monitoring the performance delivered by service providers within the established control framework. It is also responsible for setting the Company's standards and values and for ensuring that its obligations to its shareholders and other stakeholders are understood and met. Information relating to the Company's purpose and values can be found on page 20 and to the Board's engagement with stakeholders on pages 23 to 25.

The Board meets formally at least seven times a year, with additional Board or Committee meetings arranged when required. The Directors have regular contact with the Manager between meetings. All matters that are not delegated to the Manager under the management agreement are reserved for the Board's decision. The Board has a formal schedule of matters specifically reserved for its decision, which include strategy and management, structure and capital, financial reporting and controls, internal controls and risk management, communications and public relations, gearing, asset allocation, share price premium/discount, contracts, investment policy, finance, performance, corporate governance and Board membership and appointments. A copy of the schedule of matters reserved is available on the Company's website.

At each meeting the Board reviews with the Manager the Company's investment performance and compliance with the approved investment policy, and also considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act. The Board has responsibility for the approval of any investments in in-house funds managed or advised by the Manager. It also has adopted a procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Board has engaged third-party service providers to deliver the operations of the Company. Management of the investment portfolio has been delegated contractually to Janus Henderson, which also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a Depositary, HSBC Bank plc, who in turn appoints the Custodian who is responsible for the safe custody of the Company's assets. The Company has appointed a Registrar, Computershare Investor Services plc, to maintain the Register of Members and assist shareholders with queries about their holdings. Each of these principal contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board and its Committees maintain oversight of the third-party service providers through regular and ad hoc reporting. The Board meets annually with representatives from the Depositary and Custodian to discuss amongst other matters performance, service levels, their value for money, information security and business continuity plans.

Full and timely management, financial, regulatory and other relevant information is provided to all Directors to allow them to discharge their responsibilities and to enable the Board (and its Committees) to function effectively. In particular, the Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the Directors to probe further on matters of concern.

The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully minuted, in a process that allows any Director's concerns to be recorded in the minutes.

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are

Corporate Governance Report (continued)

processes and controls in place to ensure that there is a clear distinction between the two entities, particularly when dealing with any conflicts or issues between the Company and Janus Henderson. Any correspondence from shareholders addressed to the Chairman or the Company received at Janus Henderson's offices is forwarded to the Chairman in line with the audited procedures in place. Any correspondence is submitted to the next Board meeting.

Janus Henderson and BNP Paribas Securities Services, which is engaged by Janus Henderson, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters. These arrangements are reviewed at least annually by the Audit Committee.

The Board, the Manager and the Corporate Secretary operate in a supportive, co-operative and open environment.

Director Appointment, Tenure and Training

Appointment and retirement

The Board may appoint Directors to the Board and any Director so appointed must stand for election by the shareholders at the next annual general meeting following appointment, in accordance with the Articles of Association and the AIC Code.

In keeping with the provisions of the AIC Code, the Board has adopted a policy for all Directors to retire and stand for re-election annually at each annual general meeting.

Under the Articles of Association, shareholders may remove a Director before the end of his or her term by passing an ordinary resolution at a general meeting.

The Board considers a potential candidate's other commitments on appointment and then annually through the performance evaluation process to ensure that Directors have sufficient time to commit to the Company. A schedule of Directors' other commitments is reviewed at each Board Meeting and Directors are required to seek the Chairman's approval prior to accepting further appointments.

Tenure

In advance of each annual general meeting, the Nominations Committee will consider and make recommendations to the Board about whether it is appropriate for eligible Directors to be recommended for re-appointment, taking into account the results of the annual performance evaluation and the ongoing requirements of the AIC Code.

The Board's policy for Directors, including the Chairman, is that they serve for no more than nine years, other than in exceptional circumstances. This ensures the regular refreshment of the Board and its Committees and forms an integral part of the Board's succession planning.

As set out in the Chairman's Statement, Martin Morgan will be retiring at the forthcoming Annual General Meeting.

Professional development

Newly appointed Directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment companies and the operations of the Manager, including the compliance and risk management frameworks, accounting, sales and marketing, and other administration services provided by the Manager.

Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars and may do so at the expense of the Company.

Directors' individual training requirements are considered as part of the annual evaluation process which is led by the Chairman of the Board.

Directors' Independence

The independence of the Directors is determined with reference to the AIC Code. The Nominations Committee considers the independence of each Director at least annually by reviewing the Directors' other appointments and commitments, as well as their tenure of service and any connection they may have with the Manager.

There were no contracts subsisting during or at the end of the year in which any Director is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Following evaluation, the Nominations Committee determined that all Directors continued to be independent in character and judgement and that their individual skills, broad business experience and knowledge and understanding of the Company were of benefit to shareholders.

Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts"). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company

Corporate Governance Report (continued)

and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meeting's minutes. The Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover is in place in respect of the Directors. Under the Company's Articles of Association and subject to the provisions of UK legislation, a qualifying third-party indemnity may be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. No indemnity was given during the year or up to the date of this report.

Board Attendance

The table below sets out the number of scheduled formal Board and Committee meetings held during the year under review and the number of meetings attended by each Director. The 2020 Annual General Meeting was held as a closed meeting, with just the Chairman and two shareholders present to make up the quorum. The number in brackets denotes the number of meetings each Director was entitled to attend.

	Board	Audit Committee	Nominations Committee
Number of meetings	7	3	1
Ted Holmes	6 (7)	2 (3)	1 (1)
Sir Laurie Magnus	7 (7)	n/a	1 (1)
Martin Morgan	7 (7)	n/a	1 (1)
Philip Remnant[1]	3 (3)	n/a	1 (1)
Clare Wardle	7 (7)	3 (3)	1 (1)
Samantha Wren	7 (7)	3 (3)	1 (1)

1 Retired 27 October 2020

Notes:

Sir Laurie Magnus attended each of the Audit Committee meetings by invitation. Mr Holmes was unable to attend one of the Board meetings and one of the Audit Committee meetings, which were held on the same day, as personal circumstances caused a last minute conflict with the date of the meeting. Two additional Board meetings were also held in the year and were attended by all Directors, with the exception of Mr Holmes and Mrs Wardle who each were unable to attend one of these meetings, which had both been called on short notice. Two additional Nominations Committee meetings were also held in relation to the appointment of a new Director, attended by all Directors. The Insider Committee did not meet during the year.

Committees of the Board

The Board has two principal Committees: the Audit Committee and the Nominations Committee. The terms of reference for these committees are available on the Company's website. The Company has also constituted an Insider Committee to assist the Board in meeting its obligations under the Market Abuse Regulation.

The Audit Committee Report can be found on pages 46 to 48.

The Nominations Committee Report can be found on pages 49 and 50.

Internal Control and Risk Management

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness, as set out in the chart on the following page. The Audit Committee supports the Board in the continuous monitoring of the internal control and risk management framework. Details of the principal risks facing the Company, including emerging risks, and how these are mitigated are set out on pages 25 and 26.

Corporate Governance Report (continued)

System of Internal Controls

How the system of internal control operates

The Board delegates contractually to third-party service providers for all of the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities. All are considered key stakeholders.

The Company's principal third-party service providers are the Manager (Janus Henderson), the Depositary/Custodian (HSBC Bank plc) and the accountants (BNP Paribas Securities Services).

In respect of its principal providers, the Board receives quarterly reporting on compliance with the control environment and assesses the effectiveness of the control environment through review of annual assurance reports from each organisation. This reporting is supplemented by the view of the Manager's Risk Team regarding the control environments in operation at the providers.

The Company's other service providers report regularly to the Board.

The Nominations Committee formally evaluates the performance and service delivery of all third-party service providers at least annually.

The Audit Committee evaluates the performance of the Auditors on completion of each audit cycle.

Board of Directors

(comprised entirely of non-executive Directors)

Principal third-party service providers

- receive regular reporting at meetings;
- review the annual assurance report produced by each organisation;
- receive additional reporting on the control environment from the Manager's Risk Team;
- receive reporting from the Manager's Internal Audit Team on areas relevant to investment trusts; and
- formally evaluate performance on an annual basis.

Janus Henderson

(Investment management, company secretarial, sales, marketing, PR and administration)

Reporting

- Investment performance update (at each meeting)
- Compliance with investment limits and restrictions (monthly)
- Internal controls report (quarterly)
- Effectiveness of control environment (annually)

HSBC

(Depositary & Custodian)

Reporting

- Depositary report (quarterly)
- Presentation from the Depositary and Custodian (annually)
- Effectiveness of control environment (annually)

BNP Paribas

(Accounting services (engaged by the Manager))

Reporting

- Balance sheet
- Liquidity and gearing
- Revenue forecasts
- Portfolio valuation
- Portfolio transactions
- Effectiveness of control environment (annually)

Other third-party service providers

- receive regular reporting on their activities at meetings; and
- formally evaluate performance on an annual basis.

Computershare

(Registrar)

Cenkos Securities

(Corporate Broker)

PricewaterhouseCoopers LLP have been appointed as the Company's Auditors.

Corporate Governance Report (continued)

The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the period and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis. The Nominations Committee, which consists of all Board members, conducts a formal evaluation of the overall level of service provided at least annually (see Nominations Committee Report on pages 49 and 50);
- the review of controls (including financial, operational and compliance) at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and Depositary, reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and
- review of additional reporting provided by:
  - the Manager's Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third-party service providers used by the Company; and
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has carried out a review of the effectiveness of the Company's system of internal controls for the year ended 30 June 2021. During the course of its review the Board did not identify and was not advised of any failings or weaknesses relating to the Company's portfolio that have been determined as material.

Internal Audit Function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable.

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the Manager. The Board places reliance on the Company's framework of internal control and the Audit Committee's view on reporting received from specific second and third line of defence teams at the Manager.

The Manager's Risk team supports the Audit Committee in considering the independently audited reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit department provides regular reporting to the Board on the operations at the Manager and presents at least annually to the Audit Committee. The Board considers this annually and continues to conclude that it is not necessary at the present time for the Company to have its own internal audit function.

Continued Appointment of the Manager

The Board monitors investment performance at each meeting, including information about performance relative to the benchmark and competitors in the AIC's UK Equity Income sector, receives updates in respect of professional sales and marketing activities carried out by the Manager for the Company twice annually and receives a formal recommendation from the Nominations Committee in respect of the continued appropriateness of the terms of the management agreement at least annually.

The assessment of the Manager by the Nominations Committee included consideration of the quality of the team involved in all aspects of servicing the Company, including company secretarial, administration, sales and marketing, the Manager's use of gearing and management of the portfolio's risk profile, the stability of the management group, its business priorities and the adequacy of succession planning.

Following completion of the review, the Board was satisfied with the performance of the Manager and the services being provided and believes that the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole.

Communication with Shareholders

Please see page 23 for information about how the Company communicates with shareholders.

Audit Committee Report

I am pleased to present the Audit Committee Report for the year ended 30 June 2021.

Membership

The members of the Audit Committee ("Committee") during the year were Samantha Wren, Clare Wardle and Ted Holmes. Ominder Dhillon was appointed a member of the Committee on his appointment as a Director of the Company on 1 September 2021. The Committee is chaired by Samantha Wren, who is considered by the Board to have recent and relevant financial experience, and the Committee as a whole has competence relevant to the sector in which the Company operates and to the Company as an investment trust. Other Directors may attend meetings by invitation of the Chair.

Meetings

The Committee usually meets at least three times a year, to review the half-year results, the annual results and to review the Company's internal controls. It met three times in the year under review. The Company's Auditors, the Fund Manager and the Manager's Financial Reporting Manager for Investment Trusts are invited to attend meetings of the Committee on a regular basis. Other representatives of the Manager and BNP Paribas Securities Services may also be invited to attend if deemed necessary by the Committee.

Role and Responsibilities

The primary responsibilities of the Audit Committee are to ensure the integrity of the Company's financial reporting, including oversight of the preparation and audit of the annual financial statements; to monitor and review the effectiveness of the systems of internal control and risk management in place at the Manager and the Company's other third-party service providers; and to monitor the effectiveness and objectivity of the external Auditors and make recommendations to the Board regarding their appointment, re-appointment or removal.

The Audit Committee reports to the Board after each meeting and its responsibilities are set out in formal terms of reference which are reviewed at least annually.

In the year under review, the Committee considered the following matters:

Annual and half-year reports

- The appropriateness of the Company's accounting policies and of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.
- The disclosures made in the reports in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the Board.

Independent Auditors

- The nature, scope and cost of the external audit and reviewing the Auditors' findings in this respect.
- The appointment and evaluation of the independence, effectiveness and objectivity of the Auditors.

Internal controls and management of risk

- The principal risks facing the Company, including consideration of emerging risks, the risk management systems in place and the Company's risk map.
- Reports on the effectiveness of the internal controls in place at Janus Henderson and the Company's other principal third-party service providers.
- Compliance with the terms of the debenture stock and loan notes in issue.
- The need for the Company to have its own internal audit function.
- The whistleblowing arrangements in place at the Manager and other key service providers for their staff to raise concerns, in confidence, about possible improprieties, including in relation to the Company.
- The Manager's policies in relation to information security and business continuity, meeting with representatives of Janus Henderson's internal audit and risk departments periodically.
- The Company's anti-bribery policy, approach to tax evasion and the confirmations received from third-party service providers as to whether they have appropriate procedures in place in these respects.
- The annual confirmation from the Company's Depositary in respect of the safe-keeping of the Company's assets.

Appointment and Tenure of the Auditors

Regulations currently in force require the Company to rotate audit firms after a period of ten years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Committee last carried out an audit tender process during the year ended 30 June 2014 and invited the incumbent auditor at the time, PricewaterhouseCoopers LLP ("PwC"), to participate. The tender was conducted on an integrated basis with the Manager and, following consideration of the tenders received, the Board recommended the reappointment of PwC to shareholders at the 2014 Annual General Meeting, in respect of the year ending 30 June 2015.

PwC were initially appointed as Auditors in 2009 and this is the third year the current audit partner, Allan McGrath, has been in place. Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the Auditors, the Committee envisages carrying out an audit tender process to ensure a new auditor is in place for the year ending 30 June 2025 at the latest. The proposed tender period is considered to be in the best interests of shareholders and the Company as PwC have a detailed knowledge of our business, an understanding of the industry in which we operate and continue to demonstrate that they have the necessary expertise and capability to undertake the audit.

Audit Committee Report (continued)

The Committee confirms that the Company is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. This order relates to the frequency and governance of tenders for the appointment of the external auditors and the setting of the policy on the provision of non-audit services.

Auditors' Independence

The Committee monitors the Auditors' independence through three aspects of its work: the approval of a policy regulating the non-audit services that may be provided by the Auditors to the Company; assessing the appropriateness of the fees paid to the Auditors for all work undertaken by them; and by reviewing the information and assurances provided by the Auditors on their compliance with the relevant ethical standards. The Auditors provided no non-audit services during the year.

PwC confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures, which are fully consistent with the FRC's Ethical Standards. Having considered the above-mentioned aspects, the performance and behaviour of the Auditors during the audit process and the assurances received from PwC, the Committee is satisfied that auditor independence and objectivity are safeguarded.

Audit Fees

The fees payable to the Auditors for audit services were £44,000 (2020: £38,000) (inclusive of VAT).

Policy on Non-Audit Services

The Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the auditors. The policy sets out that the Company's auditors will not be considered for non-audit work where this is prohibited by the current regulations and where it appears to affect their independence and objectivity. In addition, the provision of any non-audit services by the auditors is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies. Such services require approval in advance by the Audit Committee, or Audit Committee Chair, following due consideration of the proposed services.

Since the appointment of PwC in 2009, the Company has only engaged them on one occasion, in 2010, to undertake non-audit services, and no such services were provided in the year under review (2020: nil).

Audit for the Year ended 30 June 2021

In the year under review, PwC challenged both the Manager's and the Board's judgements and exercised professional scepticism. The audit team required detailed evidence of all metrics, numbers and disclosures made within the Annual Report to support a robust assessment and evaluation of the financial information contained therein. As an example, the Manager provides the Committee and the Auditors with an analysis of special dividends and the rationale for whether these should be treated as income or capital. The Auditors requested the Manager to provide additional justification in relation to the treatment of one of the special dividends; this was provided and the Auditors then confirmed that they concurred with the proposed treatment.

As an investment trust investing in listed equities, management has limited areas of judgement. Areas where the Audit Committee would challenge the Manager include the determination of the fair market value of debt in order to confirm the appropriate basis for calculation and stress testing of the revenue forecast to support the dividend payment policy and the assumptions in the viability statement.

The Committee did not consider it necessary to request the Auditors to look at any specific areas in relation to the audit for the year ended 30 June 2021.

The Committee is satisfied that the Annual Report for the year ended 30 June 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In relation to the Annual Report for the year ended 30 June 2021, the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	The Directors have appointed the Manager, who outsources some of the administration and accounting services to BNP Paribas Securities Services, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, the Manager has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. Ownership of listed investments is verified by reconciliation to the Custodian's records and the Directors have received quarterly reports from the Depositary, who has responsibility for overseeing the Company's operations, including verification of ownership and valuation.

Audit Committee Report (continued)

Significant issue	How the issue was addressed
Recognition of income	Income received, including special dividends, is accounted for in line with the Company's accounting policy (as set out on page 68). Special dividends, and their treatment as revenue or capital, have been reviewed by the Committee and the rationale agreed. The Board reviews revenue forecasts at each Board meeting in support of the Company's future dividends.
Maintaining internal controls	Information about the internal control and risk management framework adopted by the Company is set out in the Corporate Governance Statement on pages 43 to 45. The Committee receives regular reports on internal controls from Janus Henderson, BNP Paribas Securities Services, HSBC Bank plc and Computershare Investor Services plc and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The assurance report for one of the Company's service providers was qualified by the respective service auditor. The Committee reviewed the instances giving rise to the qualifications and received confirmation that appropriate action to address the issues identified in the report was being taken and that the exceptions identified had no impact on the Company. The Committee also meets annually with representatives from Janus Henderson and HSBC Bank plc to discuss and challenge their reports.
Maintenance of investment trust status	The Committee has considered regularly the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP Paribas Securities Services.

Effectiveness of the External Audit

The Committee's process for evaluating the effectiveness of the external audit comprises two components: consideration is given to the findings of the FRC's Audit Quality Inspection Report and a post-audit assessment is carried out led by the Committee Chair.

The Auditors are able to present and discuss the findings of the latest Audit Quality Inspection Report and report on the progress made by the firm in addressing the areas identified for improvement in the prior year's report.

In assessing the effectiveness of the audit process, the Committee Chair invites views from the Directors, the Fund Manager and other members of the Manager's staff in assessing the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting to the Committee. The Committee also met privately with the Audit Partner to discuss how the audit operated from his perspective.

The Company's Annual Report for the year ended 30 June 2020 was reviewed by the FRC as part of their normal monitoring activities. Confirmation was received from the FRC that they had no questions or queries to raise with the Company, although they noted that they may raise queries in the future should new information become available to them that they considered to be relevant. Their letter advised that their review had been based on the report and accounts and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. It had, however, been conducted by staff of the FRC who had an understanding of the relevant legal and accounting framework. It also noted that the FRC's role was not to verify the information provided but to consider compliance with reporting requirements.

Overall, the Committee considers that the audit quality for the year ended 30 June 2021 has been high and that the Manager and PwC have worked together to enhance and improve reporting to shareholders.

Following completion of the assessment, the Committee remained satisfied with the effectiveness of the audit provided by PwC and therefore recommended to the Board their continuing appointment. The Auditors have indicated their willingness to continue in office. Accordingly, resolutions reappointing PwC as auditors to the Company and authorising the Committee to determine their remuneration will be proposed at the upcoming Annual General Meeting.

Samantha Wren
Chair of the Audit Committee
20 September 2021

Nominations Committee Report

Membership

All Directors are members of the Committee. The Chairman of the Board is the Chairman of the Committee but would not chair meetings when the Committee is considering appointments for his successor.

Meetings

The Committee met three times during the year and once following the year end.

Role and Responsibilities

The Committee advises the Board on the composition of the Board and its Committees, in making appointments to the Board and ensuring suitable succession plans are in place for the Directors and the Fund Manager. It also reviews and monitors the engagement and performance of the Manager and other third-party service providers.

Its principal responsibilities include: reviewing the structure, size and composition of the Board and its Committees and leading the search for suitable candidates to fill roles as required, taking into consideration the balance of skills, knowledge, experience and diversity on the Board; ensuring annual performance evaluations are carried out, discussing the outcomes from those evaluations and making recommendations to the Board; considering the proposed election and re-election of Directors ahead of each annual general meeting; and evaluating the overall performance and terms of engagement of the Manager and other third-party service providers.

Succession Planning and Recruitment

When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience and diversity existing on the Board. Once a decision is made to recruit an additional Director, a formal job description is drawn up. The Committee will engage external recruitment agencies to facilitate the search. The Committee will assess candidates against objective criteria and with due regard for the benefits of diversity on the Board (including gender, social and ethnic backgrounds, as well as cognitive and personal strengths), taking care that any candidates recommended for appointment will be able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

New appointments to the Board are made on a staggered basis in line with the tenure policy, ensuring ongoing refreshment combined with the importance of maintaining continuity and corporate knowledge.

The Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Committee also takes into account the mix of skills and experience of the current Board members.

Appointment of Director

Martin Morgan has reached nine years of service as a Director and, in accordance with the Company's tenure policy, will be retiring at the 2021 Annual General Meeting. A search has therefore taken place for a new non-executive Director. Following a review of a number of specialist recruitment agencies, Cornforth Consulting ("Cornforth") was appointed to assist in the search. No open advertising was used as the Committee believes that targeted recruitment is the optimal way of recruiting. Cornforth does not undertake any other services for the Company and has no connection with any of the Directors.

A skills matrix of the Board was prepared and a specification setting out the preferred experience and background for the new Director was agreed. An important requirement for the prospective appointee was that they should have previous retail marketing experience in order to take the lead currently provided by Martin Morgan in guiding the Board's discussions with the Manager on the Company's sales and marketing programme. The Company's diversity policy was considered and the Committee instructed Cornforth to ensure that the long list included candidates as diverse as possible.

Following discussion of the long list with Cornforth, the preferred candidates were invited for interviews with the Chairman, Samantha Wren and Martin Morgan. A shortlist of two candidates were then put forward for interviews with Ted Holmes, Clare Wardle and the Fund Manager. The candidates' other commitments were considered as part of the process. Following the conclusion of the process, the Committee recommended to the Board the appointment of Ominder Dhillon as a non-executive Director. Mr Dhillon was appointed with effect from 1 September 2021. Mr Dhillon is deemed to be independent of the Manager.

Directors' Performance Evaluation

Each year, the Committee assesses the composition of the Board and its performance, including that of individual Directors. Every three years an external review is conducted, with the next external review to be held in 2022. This year, the review was undertaken internally using a questionnaire approach. The Chairman also met individually with each Director. The appraisal of the Chairman was led by Martin Morgan as the Senior Independent Director.

The areas considered included Board composition and dynamics, management of meetings and support from the Manager in this respect, the appropriateness of the investment strategy and performance, the quality of the Board's understanding of shareholders' views and the Manager's sales and marketing activities, succession planning and priorities for change. A review of the performance and effectiveness of the Board Committees is included as part of the evaluation process. The Committee also reviewed the independence of each Director and their time commitment.

Nominations Committee Report (continued)

Following completion of the review, the Committee concluded that the Board remained highly effective, with a very good range of skills represented on the Board and a clear understanding of the risks facing the Company and that the Board Committees were operating effectively. Mr Morgan also reported that the Chairman provided effective leadership.

Diversity Policy

All Board appointments are subject to a formal, rigorous and transparent procedure. The Company seeks to ensure that any Board vacancies are filled by the most qualified candidates based on objective criteria and merit and in the context of the skills, knowledge and experience that are needed for the Board to be effective.

The Board acknowledges and welcomes the recommendations from the Hampton-Alexander Review on gender diversity on boards and the Parker Review about ethnic representation on boards. Whilst the Board does not feel that it would be appropriate to use specific diversity targets, given its small size, the Directors acknowledge that diversity is important to ensure that the Company can draw on a broad range of backgrounds, skills, knowledge, experience and perspectives to achieve effective stewardship of the Company. An integral part of the appointment process includes the consideration of diversity generally, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths and experience. The Nominations Committee ensures that long lists of potential non-executive Directors include diverse candidates of appropriate experience and merit.

In all the Nominations Committee's activities, there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

Performance of Third-Party Service Providers

Each year, the Committee carries out an evaluation of the Manager and the Company's key third-party service providers and their respective terms of engagement.

The Committee's evaluation of the Manager includes assessing whether the contractual arrangements and remuneration structure in place remain appropriate and competitive and in the interests of shareholders as a whole. The Committee also considers the arrangements in place at Janus Henderson in terms of a short-term incapacity of the Fund Manager and succession planning for the Fund Manager over the longer term. The evaluation includes consideration of the quality of the team involved in all aspects of servicing the Company and a review of the stability of the management group and its business priorities.

Subsequent to the year end, the Manager proposed to the Committee that David Smith should be appointed as Deputy Fund Manager. It was noted that Mr Smith had been working closely with the Fund Manager for a number of years and had attended Board meetings on a regular basis over the previous three years. It was further noted that he had been the fund manager of Henderson High Income Trust plc since 2013 and of the UK portfolio of The Bankers Investment Trust PLC since 2017. The Committee discussed the proposal and recommended to the Board that Mr Smith be appointed as the Deputy Fund Manager.

Following its review, the Committee concluded that it was in the interests of shareholders as a whole to recommend to the Board that the appointment of the Manager should continue on the existing terms. The Committee also recommended the continuation of the appointment of the other key third-party service providers.

Sir Laurie Magnus
Nominations Committee Chairman
20 September 2021

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy ("the Policy") sets out the principles applied in the remuneration of the Company's Directors. The Policy was last approved by shareholders at the annual general meeting on 27 October 2020, and will continue in force until the annual general meeting in 2023.

The Board has not established a separate remuneration committee and matters relating to Directors' remuneration are dealt with by the Board as a whole. Individual Directors do not participate in discussions relating to their own remuneration. The appropriateness and relevance of the Remuneration Policy is reviewed at least annually, particularly in terms of whether the policy supports the Company's long-term sustainable success. In determining the Remuneration Policy, the Board takes into account all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Code and the AIC Code and fees paid to comparable investment trusts.

The objective of the Remuneration Policy is to attract, retain and motivate non-executive Directors of the quality required to manage the Company successfully. The Company's approach is that fees payable to the non-executive Directors should reflect the time spent on the Company's affairs, reflect the responsibilities borne by the Directors, and be sufficient to promote the long-term success of the Company.

Directors are remunerated in the form of fees payable to the Director personally quarterly in arrears. Fees are pro-rated where a change takes place during a financial year. The total annual aggregate fees payable to Directors shall not exceed £350,000.

The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as is the Senior Independent Director and Chair of the Audit Committee. The Directors may be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties. The level of fees paid to each Director is reviewed annually, although such a review may not necessarily result in any change to the rates. The level of fees paid to the directors of other investment companies of a similar size and nature is taken into account when carrying out the review in order to avoid and manage conflicts of interest in determining remuneration levels. The Board may amend the level of remuneration paid to individual Directors within the parameters of the Policy.

No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

The Policy, irrespective of any changes, is put to shareholders at intervals of not more than three years with the next approval due to be sought at the annual general meeting in 2023.

Letters of appointment

All Directors are non-executive and are appointed under a Letter of Appointment. No Director has a service contract with the Company. There are no set notice periods and a Director may resign by notice in writing to the Board at any time and no compensation is payable for loss of office.

Recruitment principles

All Directors, including any new appointments to the Board, are paid at the same rate. The Chairman of the Board, Senior Independent Director and Chair of the Audit Committee are paid higher fees in recognition of their additional responsibilities.

The Board will not pay any introductory fee or incentive to any person to encourage them to become a Director, but may pay the fees of search and selection specialists in connection with the appointment of any new non-executive Director.

The Company intends to appoint only non-executive Directors for the foreseeable future.

Views of shareholders

Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing levels of remuneration.

Annual Report on Remuneration

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (the "Regulations"). The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the FCA and describes how the Board has applied the principles relating to Directors' remuneration.

As required by the Act, an ordinary resolution to approve the Directors' Remuneration Report will be proposed at the forthcoming Annual General Meeting.

Directors' Remuneration Report (continued)

The Company's Auditors are required to report on certain information contained within this report; where information set out below has been audited, it is indicated as such.

All Directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

Statement from the Chairman

As the Company has no employees and the Board comprises entirely non-executive Directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole within the parameters approved by shareholders.

Following consideration of the fees paid by other investment companies in the peer group, the fees paid in other sectors and those paid by the Janus Henderson managed investment trusts, the Directors' fees were increased with effect from 1 January 2021 by 1.3% (rounded to the nearest £100), in line with inflation. The new rates are as set out in the table below. The increases were to ensure that the Directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new Directors. There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

The Board is satisfied that the changes to the remuneration of the Directors are compliant with the Directors' Remuneration Policy approved by shareholders at the 2020 annual general meeting. There will be no significant change in the way that the Remuneration Policy will be implemented in the course of the next financial year.

Table of Directors' annual fees

The current fees for specific responsibilities are set out in the table below. Other than the Chair of the Audit Committee, no fees are payable for membership of the Board's Committees.

Role	**Rate at 30 June 2021 £**	Rate at 30 June 2020 £
Chairman of the Board	**48,300**	47,700
Chair of the Audit Committee	**36,200**	35,700
Senior Independent Director	**33,200**	32,800
Other non-executive Directors	**30,200**	29,800

Performance

The chart below illustrates the total shareholder return for a holding in the Company's shares over the ten-year period to 30 June 2021 as compared with the FTSE All-Share Index, which was adopted as the Company's benchmark index with effect from 1 July 2019.

Total return performance over the ten-year period to 30 June 2021

Directors' Remuneration Report (continued)

Directors' remuneration (audited)

The remuneration paid to the Directors who served during the year ended 30 June 2021 and 30 June 2020 was as follows:

	Year ended 30 June 2021 Total salary and fees £	Year ended 30 June 2020 Total salary and fees £	**Year ended 30 June 2021 Total expenses and taxable benefits £**	Year ended 30 June 2020 Total expenses and taxable benefits £	**Year ended 30 June 2021 Total £**	Year ended 30 June 2020 Total £
Simon Barratt[1]	–	16,000	–	–	–	16,000
Ted Holmes	30,000	29,450	–	–	30,000	29,450
Sir Laurie Magnus[2]	42,315	9,933	–	–	42,315	9,933
Martin Morgan[3]	32,421	29,450	–	–	32,421	29,450
Philip Remnant[4]	15,425	47,100	–	–	15,425	47,100
Clare Wardle[5]	30,000	19,724	–	–	30,000	19,724
Samantha Wren[6]	35,950	35,250	–	–	35,950	35,250
Total	**186,111**	**186,907**	–	–	**186,111**	**186,907**

Notes:

The amounts paid by the Company to the Directors were for services as non-executive Directors. The table above omits other columns set out in the relevant regulations because no payments of other types such as performance-related pay and pension related payments were made. No variable pay was paid to any Director

1 Ceased to be a Director on 1 January 2020
2 Appointed a Director on 1 March 2020 and appointed Chairman on 27 October 2020; Chairman and highest paid Director
3 Appointed as Senior Independent Director on 10 September 2020
4 Ceased to be Chairman and a Director on 27 October 2020
5 Appointed a Director on 1 November 2019
6 Chair of the Audit Committee

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties.

Annual percentage change in Directors' remuneration

The table below sets out the annual percentage change in Directors' fees for the Directors for the last two years in respect of each Director that has served for a minimum of two financial years.

Director	**Year to 30 June 2021 %**	Year to 30 June 2020 %
Ted Holmes	**1.9**	2.6
Sir Laurie Magnus[1]	**n/a**	n/a
Martin Morgan[2]	**10.1**	2.6
Clare Wardle[3]	**n/a**	n/a
Samantha Wren	**2.0**	2.7

1 Appointed to the Board on 1 March 2020. Appointed Chairman on 27 October 2020
2 Appointed as Senior Independent Director on 10 September 2020
The % increase reflects this appointment during the course of the year to 30 June 2021 and the additional fee that is associated with this position
3 Appointed to the Board on 1 November 2019

Directors' interests in shares (audited)

	Ordinary shares of 25p	
Beneficial interest	**30 June 2021 (or date of retirement, if earlier)**	1 July 2020
Ted Holmes	**5,000**	5,000
Sir Laurie Magnus	**80,000**	50,000
Martin Morgan	**23,900**	23,900
Philip Remnant	**73,210**	73,210
Clare Wardle	**16,447**	16,447
Samantha Wren	**9,265**	8,912

The interests of the Directors and their connected persons in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. Subsequent to the year end, Samantha Wren acquired an additional 108 shares through the automatic reinvestment of dividends. There have been no other changes to any of the Directors' interests in the period from 1 July 2021 to the date of this report. Ominder Dhillon does not hold any ordinary shares. No Director has any interests in the preference or preferred stock of the Company.

The Company does not have a shareholding requirement for Directors.

Directors' Remuneration Report (continued)

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared with the distributions to shareholders by way of dividends. In the year under review, 1,175,000 ordinary shares were bought back by the Company into treasury and were subsequently reissued. There were no other significant distributions, payments or other uses of the Company's net return or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	2021 **£**	2020 £	Change £	Change %
Total Directors' remuneration[1]	186,111	186,907	(796)	(0.4)
Ordinary dividends paid	80,926,350	75,099,137	5,827,213	7.8

1 The reduction in total Directors' remuneration is due to Board changes

Statement of voting at annual general meeting

At the Company's last Annual General Meeting held on 27 October 2020, shareholders approved the Directors' Remuneration Policy and the Directors' Remuneration Report in respect of the year ended 30 June 2020. The following votes were received on the resolutions:

Resolution	For (including discretionary)	% of total votes[1]	Against	% of total votes[1]	Withheld
Remuneration Policy	6,313,349	99.2	48,506	0.8	58,263
Remuneration Report	6,322,349	99.3	45,647	0.7	52,120

1 Excluding votes withheld

Approval of the Annual Report on Remuneration

The Annual Report on Remuneration was approved by the Board on 20 September 2021.

On behalf of the Board

Sir Laurie Magnus
Chairman
20 September 2021

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 law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland", and applicable law). 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 Company and of the net return or loss of the Company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report and Statement of Corporate Governance that comply with that law and those regulations.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Directors' Responsibility Statement

Each of the Directors, who are listed on pages 34 and 35, confirms that, to the best of his or her knowledge:

- the Company's financial statements, which have been prepared in accordance with UK Accounting Standards on a going concern basis, give a true and fair view of the assets, liabilities, financial position and return of the Company; and
- the Strategic Report and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Sir Laurie Magnus
Chairman
20 September 2021

The financial statements are published on the website **www.cityinvestmenttrust.com**.

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

The maintenance and integrity of the website is the responsibility of Janus Henderson; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Annual Report since it was initially presented on the website.

Financial Statements

Independent Auditors' Report to the Members of The City of London Investment Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, The City of London Investment Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 30 June 2021; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

Our audit approach

Context

- The Company is a standalone Investment Trust Company and engages Henderson Investment Funds Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from BNP Paribas Securities Services (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the internal controls in place at both the Manager and the Administrator, identified and tested those controls on which we wished to place reliance and then performed substantive testing using reports obtained from the Administrator.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

Overview

Audit scope	• As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.
Key audit matters	• Valuation and existence of investments. • Income from investments. • Consideration of the impact of Covid-19.
Materiality	• Overall materiality: £17,300,000 (2020: £14,300,000) based on 1% of net asset value. • Performance materiality: £12,950,000.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments Refer to page 47 (Audit Committee Report), page 67 (Accounting Policies) and page 74 (Notes to the Financial Statements). The investment portfolio at the year end comprised listed equity investments and fixed interest investments valued at £1,847 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third-party sources. No material misstatements were identified. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No misstatements were identified which required reporting to those charged with governance.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

Income from investments Refer to page 48 (Audit Committee Report), page 68 (Accounting Policies) and page 70 (Notes to the Financial Statements). Income from investments comprised dividend income. We focused on the accuracy, completeness and occurrence of investment income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover. We also focused on the accounting policy for investment income recognition and the presentation of investment income in the Income Statement for compliance with the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP"), as incorrect application could indicate a misstatement in income recognition.	We assessed the accounting policy for investment income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income from investments had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income from investments has been accounted for in accordance with the stated accounting policy. We tested accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market for investment holdings had been recorded. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any misstatements.
Consideration of the impact of Covid-19 Refer to the Chairman's Statement (pages 7 and 8), Managing Our Risks (pages 25 and 26), the Company's Viability (pages 26 and 27) and the Going Concern Statement (page 67), which disclose the impact of the Covid-19 coronavirus pandemic. The Covid-19 outbreak has been declared a pandemic by the World Health Organisation. Since the first quarter of 2020, it has caused significant economic uncertainty globally and disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates. The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third-party service providers have in place appropriate business continuity plans and will be able to maintain service levels throughout the Covid-19 pandemic.	We evaluated the Directors' assessment of the impact of the Covid-19 pandemic on the Company by: • evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by Covid-19; and • evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report by obtaining evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity, and loan covenant compliance and their review of the operational resilience of the Company and oversight of key third-party service providers. We assessed the disclosures presented in the Annual Report in relation to Covid-19 by reading the other information, including the Managing Our Risks and the Company's Viability set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report. Our conclusions relating to going concern are set out in the 'Conclusions related to going concern' section below.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Company materiality	£17,300,000 (2020: £14,300,000).
How we determined it	1% of net asset value.
Rationale for benchmark applied	*We have applied this benchmark, which is a generally accepted auditing practice for investment trust audits.*

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £12,950,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £863,000 (2020: £716,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors' updated risk assessment and considering whether it addressed the relevant threats presented by Covid-19;
- evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and
- assessing the implications of significant reductions in net asset value as a result of market performance on the ongoing ability of the Company to operate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' remuneration

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

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- the disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their 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;

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

- the Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- the Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- the section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 55, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the ongoing qualification as an Investment Trust under the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and

Independent Auditors' Report to the Members of The City of London Investment Trust plc (continued)

determined that the principal risks were related to posting of inappropriate journal entries to increase income or to overstate the value of investments and increase the net asset value of the Company. Audit procedures performed by the engagement team included:

- discussions with the Directors, the Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluation of the controls implemented by the Manager and the Administrator designed to prevent and detect irregularities;
- assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- identifying and testing journal entries, in particular a sample of journals posted as part of the financial year end close process.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members in 2009 to audit the financial statements for the year ended 30 June 2009 and subsequent financial periods. The period of total uninterrupted engagement is 13 years, covering the years ended 30 June 2009 to 30 June 2021.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
20 September 2021

Income Statement

Notes		Year ended 30 June 2021 Revenue return £'000	Capital return £'000	Total return £'000	Year ended 30 June 2020 Revenue return £'000	Capital return £'000	Total return £'000
2	Gains/(losses) on investments held at fair value through profit or loss	–	200,267	200,267	–	(291,388)	(291,388)
3	Income from investments held at fair value through profit or loss	77,626	–	77,626	67,779	–	67,779
4	Other interest receivable and similar income	263	–	263	176	–	176
	Gross revenue and capital gains/(losses)	**77,889**	**200,267**	**278,156**	**67,955**	**(291,388)**	**(223,433)**
5	Management fee	(1,493)	(3,484)	(4,977)	(1,457)	(3,400)	(4,857)
6	Other administrative expenses	(726)	(7)	(733)	(696)	(7)	(703)
	Net return before finance costs and taxation	**75,670**	**196,776**	**272,446**	**65,802**	**(294,795)**	**(228,993)**
7	Finance costs	(1,696)	(3,589)	(5,285)	(2,163)	(4,681)	(6,844)
	Net return before taxation	**73,974**	**193,187**	**267,161**	**63,639**	**(299,476)**	**(235,837)**
8	Taxation	(1,165)	–	(1,165)	(1,176)	–	(1,176)
	Net return after taxation	**72,809**	**193,187**	**265,996**	**62,463**	**(299,476)**	**(237,013)**
9	**Return per ordinary share basic and diluted**	**17.09p**	**45.36p**	**62.45p**	**15.73p**	**(75.42p)**	**(59.69p)**

The total columns of this statement represent the Company's Income Statement. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. The Company has no recognised gains or losses other than those recognised in the Income Statement. There is no material difference between the net return before taxation and the net return after taxation stated above and their historical cost equivalents.

The notes on pages 67 to 82 form part of these financial statements

Statement of Changes in Equity

Notes	Year ended 30 June 2021	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 July 2020	104,101	752,967	2,707	526,861	45,623	1,432,259
	Net return after taxation	–	–	–	193,187	72,809	265,996
	Buyback of 1,175,000 ordinary shares for treasury	–	–	–	(3,736)	–	(3,736)
	Issue of 1,175,000 ordinary shares from treasury	–	124	–	3,736	–	3,860
17, 18	Issue of 29,220,000 new ordinary shares	7,305	102,506	–	–	–	109,811
10	Dividends paid	–	–	–	–	(80,865)	(80,865)
	At 30 June 2021	**111,406**	**855,597**	**2,707**	**720,048**	**37,567**	**1,727,325**

Notes	Year ended 30 June 2020	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 July 2019	94,709	613,711	2,707	826,337	58,259	1,595,723
	Net return after taxation	–	–	–	(299,476)	62,463	(237,013)
17, 18	Issue of 37,570,000 new ordinary shares	9,392	139,256	–	–	–	148,648
10	Dividends paid	–	–	–	–	(75,099)	(75,099)
	At 30 June 2020	**104,101**	**752,967**	**2,707**	**526,861**	**45,623**	**1,432,259**

The notes on pages 67 to 82 form part of these financial statements

Statement of Financial Position

Notes		30 June 2021 £'000	30 June 2020 £'000
	Fixed assets		
11	**Investments held at fair value through profit or loss**		
	Listed at market value in the United Kingdom	1,618,973	1,359,435
	Listed at market value overseas	227,701	211,589
12	Investment in subsidiary undertakings	347	347
		1,847,021	**1,571,371**
	Current assets		
13	Debtors	10,157	5,962
		10,157	5,962
14	Creditors: amounts falling due within one year	(14,323)	(59,327)
	Net current liabilities	**(4,166)**	**(53,365)**
	Total assets less current liabilities	**1,842,855**	**1,518,006**
15	Creditors: amounts falling due after more than one year	(115,530)	(85,747)
	Net assets	**1,727,325**	**1,432,259**
	Capital and reserves		
17	Called up share capital	111,406	104,101
18	Share premium account	855,597	752,967
19	Capital redemption reserve	2,707	2,707
19	Other capital reserves	720,048	526,861
20	Revenue reserve	37,567	45,623
21	**Total shareholders' funds**	**1,727,325**	**1,432,259**
21	**Net asset value per ordinary share – basic and diluted**	**387.62p**	**343.96p**

These financial statements on pages 64 to 82 were approved by the Board of Directors on 20 September 2021 and signed on its behalf by:

Sir Laurie Magnus
Chairman

Registration number: 34871

The notes on pages 67 to 82 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

(a) Basis of accounting

The Company is a registered investment company as defined in Section 833 of the Companies Act 2006 and is incorporated in the UK. It operates in the UK and is registered at the address on page 92.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in October 2019 by the Association of Investment Companies.

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

As an investment fund the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all of the entity's investments are highly liquid, substantially all of the entity's investments are carried at market value, and the entity provides a Statement of Changes in Equity. The Directors have assessed that the Company meets all of these conditions.

The financial statements have been prepared under the historical cost basis except for the measurement at fair value of investments. In applying FRS 102, financial instruments have been accounted for in accordance with Section 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

The financial statements of the Company's three subsidiaries have not been consolidated on the basis of immateriality and dormancy. Consequently, the financial statements present information about the Company as an individual entity. The Directors consider that the values of the subsidiary undertakings are not less than the amounts at which they are included in the financial statements.

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The decision to allocate special dividends as income or capital is a judgement but not deemed to be material. The allocation of expenses to income or capital is a judgement as well, but also is not deemed to be material. The Directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

(b) Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The Directors have also considered the impact of Covid-19, including cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. They have concluded that the Company is able to meet its financial obligations, including the repayment of the bank overdraft, as they fall due for a period of at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

(c) Valuation of investments held at fair value through profit or loss

Listed investments are valued at fair value, which is deemed to be bid market prices or the last traded price depending on the convention of the exchange on which the investment is quoted.

The only unquoted investments are the Company's subsidiaries which are valued at the net asset value according to their latest financial statements and this is considered to be fair value.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "Gains/(losses) on investments held at fair value through profit or loss". Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Income Statement. All purchases and sales are accounted for on a trade date basis.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(d) Foreign currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional currency and presentational currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the Statement of Financial Position date are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

(e) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of Directors, the dividend is capital in nature in which case it is taken to the capital return. Special dividends are recognised on an ex-dividend basis and treated as capital or revenue depending on the facts and circumstances of each dividend. Bank interest and stock lending revenue are accounted for on an accruals basis.

The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue. Any enhancement above the cash dividend is treated as capital.

Where the Company enters into a commitment to underwrite an issue of securities in exchange for the receipt of commission, this creates a derivative financial instrument. Any such derivatives are recognised initially at fair value and are subsequently re-measured at fair value, with the related gains and losses being reflected in the Income Statement. Net losses arising from derivatives, where the actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital return. Net gains are allocated to the revenue return.

Fees earned from stock lending are accounted for on an accruals basis and shown in the revenue return based on amounts to which the Company is entitled. This is after deduction of amounts withheld by the counterparty arranging the stock lending facility. The stock lending accounting policy is set out in note 16.3.

The accounting for option premium income is dealt with on pages 69 and 70, under 'Derivative financial instruments'.

(f) Management and other administrative expenses and finance costs

All expenses and finance costs are accounted for on an accruals basis. In accordance with the Board's expectation, over the long term, that investment returns will be attributable 70% to capital and 30% to revenue, the Company charges to capital 70% of the finance costs (excluding dividends payable on the preference and preferred ordinary stocks) and management fees with the remaining 30% being charged to revenue. Other administrative expenses are charged 100% to revenue except where they relate directly to a capital transaction.

(g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

The tax effect of different items of expenditure is allocated between the capital return and revenue return using the Company's effective rate of tax for the year. In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantially enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(h) Borrowings

Overdrafts, debentures and secured notes are initially recorded at the value of the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance costs, including interest payable, premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(i) Preference stocks

Under Section 22.5 of FRS 102 preference and preferred ordinary stocks are classified as financial liabilities. The dividends associated with the preference and preferred ordinary stocks are charged fully to the Company's revenue return within finance costs.

(j) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid, or in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Statement of Changes in Equity.

(k) Issue and repurchase of ordinary shares and associated costs

The proceeds from the share issue of new ordinary shares (including those relating to the sale of shares out of treasury) and the aggregate cost of repurchasing ordinary shares (including those to be held in treasury) are taken directly to equity and dealt with in the Statement of Changes in Equity. Issue costs incurred in respect of shares sold out of treasury are offset against proceeds received and dealt with in other capital reserves. Share issues and repurchase transactions are accounted for on a trade date basis.

(l) Capital and reserves

Called up share capital represents the nominal value of ordinary shares issued.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

The capital redemption reserve represents the nominal value of ordinary shares, preference stock and preferred ordinary stock that have been repurchased and cancelled.

Other capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on revaluation of investments held. The following analyses what is accounted for in each of these components.

Capital reserve arising on investments sold
The following are accounted for in this reserve: gains and losses on disposals of investments; expenses and finance costs allocated to capital net of tax relief; realised foreign exchange differences of a capital nature; and cost of repurchasing ordinary share capital.

Capital reserve arising on revaluation of investments held
The following are accounted for in this reserve: increases and decreases in the valuation of investments held at the year end; and unrealised foreign exchange differences of a capital nature.

(m) Distributable reserves

The Company's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend. There may however, be other factors that restrict the value of reserves that can be distributed. In the case of the Company, there are small priority amounts that are payable to preference stock and preferred stockholders, which amount to less than 1% of distributable reserves at 30 June 2021. In addition, unrealised fair value losses on investments held would be deducted from distributable reserves, but at 30 June 2021, the Company had unrealised fair value gains of £423,487,000.

(n) Derivative financial instruments

Derivative transactions which the Company may enter into comprise forward exchange contracts (the purpose of which is to hedge foreign currency exposure) and futures contracts on indices appropriate to sections of the portfolio (one purpose for which may be to provide protection against falls in the capital values of the holdings). The Company may also write options on shares represented in the portfolio where such options are priced attractively relative to Janus Henderson's expectations for the relevant share prices and to generate additional return for shareholders. The Company does not use derivative financial instruments for speculative purposes.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(n) Derivative financial instruments (continued)

The use of financial derivatives is governed by the Company's policies as approved by the Board.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Income Statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the Income Statement.

Where options are written for the purpose of generating revenue, applicable premiums are recognised evenly over the life of the option and shown in the revenue return, with the appropriate amount shown as capital return such that the total return reflects the overall change in the fair value of the option. No options were transacted during the year nor held at 30 June 2021 (2020: none)

2 Gains/(losses) on investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Gains/(losses) on the sale of investments based on historical cost	31,859	(64,904)
Revaluation gains recognised in previous years	(23,405)	(14,866)
Gains/(losses) on investments sold in the year based on carrying value at the previous Statement of Financial Position date	8,454	(79,770)
Revaluation of investments held at 30 June	191,870	(211,714)
Exchange (losses)/gains	(57)	96
Total gains/(losses) on investments held at fair value through profit or loss	**200,267**	**(291,388)**

3 Income from investments held at fair value through profit or loss

	2021 £'000	2020 £'000
UK dividends:		
Listed – ordinary dividends	64,806	54,320
Listed – special dividends	2,413	1,505
	67,219	55,825
Other dividends:		
Dividend income – overseas investments	8,856	10,360
Dividend income – UK REIT	1,497	1,594
Scrip dividends	54	–
	10,407	11,954
Total	**77,626**	**67,779**

4 Other interest receivable and similar income

	2021 £'000	2020 £'000
Underwriting commission (allocated to revenue)[1]	–	4
Stock lending revenue	263	172
	263	**176**

1 During the year the Company was not required to take up shares in respect of its underwriting commitments (2020: none)

At 30 June 2021, the total value of securities on loan by the Company for stock lending purposes was £211,020,000 (2020: £135,773,000). The maximum aggregate value of securities on loan at any one time during the year ended 30 June 2021 was £285,200,000 (2020: £296,705,000). The Company's agent holds collateral at 30 June 2021, with a value of £223,341,000 (2020: £142,771,000) in respect of securities on loan, the value of which is reviewed on a daily basis and comprises CREST Delivery By Value ("DBVs") and Government Bonds with a market value of 106% (2020: 105%) of the market value of any securities on loan.

Notes to the Financial Statements (continued)

5 Management fee

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000
Management fee	**1,493**	**3,484**	**4,977**	**1,457**	**3,400**	**4,857**

A summary of the terms of the Management Agreement is given on page 27. Details of apportionment between revenue and capital can be found in note 1 on page 68.

6 Other administrative expenses

	2021 £'000	2020 £'000
Directors' fees and expenses (see Directors' Remuneration Report on page 53)	186	187
Auditors' remuneration – for statutory audit services	44	38
Marketing	81	81
Bank charges (loan facility fees)	10	10
Annual and half-year reports	48	38
Registrar's fees	89	81
AIC	21	22
Listing fees	118	108
Advisory and consultancy fees	17	18
Depositary fees	56	57
Other expenses	56	56
Expenses charged to revenue	**726**	**696**
Expenses charged to capital[1]	7	7
	733	**703**

1 The capital expenses incurred in 2021 relate to the redemption of the 8.5% debenture stock 2021. The capital expenses incurred in 2020 relate to the redemption of the 10.25% debenture stock 2020

All transactions with Directors are disclosed in the Directors' Remuneration Report and are related party transactions.

7 Finance costs

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000
Interest on debentures and secured notes repayable wholly or partly:						
– within one year	446	1,041	1,487	1,021	2,383	3,404
– after five years (includes amortisation of secured notes issue costs)	996	2,322	3,318	914	2,132	3,046
Bank overdraft interest	97	226	323	71	166	237
Dividends:						
– cumulative first preference stock	18	–	18	18	–	18
– non-cumulative second preference stock	21	–	21	21	–	21
– non-cumulative preferred ordinary stock	118	–	118	118	–	118
	1,696	**3,589**	**5,285**	**2,163**	**4,681**	**6,844**

Details of apportionment between revenue and capital can be found in note 1 on page 68.

Notes to the Financial Statements (continued)

8 Taxation

Analysis of tax charge for the year

	2021			2020		
	Revenue return £'000	**Capital return £'000**	**Total return £'000**	Revenue return £'000	Capital return £'000	Total return £'000
Overseas withholding tax	1,575	–	1,575	1,693	–	1,693
Less: overseas withholding tax recoverable	(410)	–	(410)	(517)	–	(517)
	1,165	–	**1,165**	**1,176**	–	**1,176**

The Company's profit for the accounting year is taxed at an effective rate of 19% (2020: 19%). The tax charge for the year is lower than the corporation tax rate. The differences are explained below:

Factors affecting the tax charge for the year

	2021			2020		
	Revenue return £'000	**Capital return £'000**	**Total return £'000**	Revenue return £'000	Capital return £'000	Total return £'000
Return before taxation	73,974	193,187	267,161	63,639	(299,476)	(235,837)
Corporation tax at 19% (2020: 19%)	14,055	36,706	50,761	12,091	(56,900)	(44,809)
Effects of:						
Non-taxable UK dividends	(12,772)	–	(12,772)	(10,607)	–	(10,607)
Non-taxable overseas dividends	(1,682)	–	(1,682)	(1,968)	–	(1,968)
Overseas tax suffered	1,165	–	1,165	1,176	–	1,176
Expenses not deductible for tax purposes	1	1	2	1	1	2
Excess management expenses	368	1,344	1,712	453	1,535	1,988
Preference and preferred ordinary dividends not allowable for tax	30	–	30	30	–	30
Net capital (gains)/losses not subject to tax	–	(38,051)	(38,051)	–	55,364	55,364
	1,165	–	**1,165**	**1,176**	–	**1,176**

Investment trusts are exempt from corporation tax on capital gains provided that the Company complies with tests under Section 1158 of the Corporation Tax Act 2010.

Deferred taxation

No provision for deferred taxation has been made in the current or prior accounting year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation and disposal of investments as it is exempt from tax on these items because of its investment trust status.

Factors that may affect future tax charges

The Company can offset management fees, other administrative expenses and interest costs against taxable income to eliminate any tax charge on such income. The tax legislation refers to these as management expenses (management fees and other administrative expenses) and non-trade loan relationship deficits (interest costs) and these are captured together under the heading "Excess management expenses" in the table above. Where these are not fully utilised, they can be carried forward to future years. As the Company is unlikely to generate future taxable profits to utilise these amounts, the Company cannot recognise an asset to reflect them, but must still disclose the deferred tax amount carried forward arising from any unutilised amounts.

Consequently, the Company has not recognised a deferred tax asset totalling £36,763,000 (2020: £26,792,000) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

Notes to the Financial Statements (continued)

9 Return per ordinary share – basic and diluted

The return per ordinary share is based on the net return attributable to the ordinary shares of £265,996,000 (2020: loss of £237,013,000) and on 425,921,991 ordinary shares (2020: 397,078,092), being the weighted average number of ordinary shares in issue during the year.

The return per ordinary share is analysed between revenue and capital as below.

	2021 £'000	2020 £'000
Net revenue return	72,809	62,463
Net capital return	193,187	(299,476)
Net total return	**265,996**	**(237,013)**
Weighted average number of ordinary shares in issue during the year	**425,921,991**	**397,078,092**

	2021 Pence	2020 Pence
Revenue return per ordinary share	17.09	15.73
Capital return per ordinary share	45.36	(75.42)
Total return per ordinary share	**62.45**	**(59.69)**

The Company does not have any dilutive securities, therefore the basic and diluted returns per share are the same.

10 Dividends paid on ordinary shares

	Record date	Payment date	2021 £'000	2020 £'000
Fourth interim dividend (4.75p) for the year ended 30 June 2019	26 July 2019	30 August 2019	–	18,013
First interim dividend (4.75p) for the year ended 30 June 2020	25 October 2019	29 November 2019	–	18,341
Second interim dividend (4.75p) for the year ended 30 June 2020	24 January 2020	28 February 2020	–	19,041
Third interim dividend (4.75p) for the year ended 30 June 2020	24 April 2020	29 May 2020	–	19,704
Fourth interim dividend (4.75p) for the year ended 30 June 2020	31 July 2020	28 August 2020	19,779	–
First interim dividend (4.75p) for the year ended 30 June 2021	30 October 2020	30 November 2020	19,723	–
Second interim dividend (4.75p) for the year ended 30 June 2021	29 January 2021	26 February 2021	20,205	–
Third interim dividend (4.80p) for the year ended 30 June 2021	30 April 2021	28 May 2021	21,218	–
Unclaimed dividends over 12 years old			(60)	–
			80,865	**75,099**

In accordance with FRS 102, interim dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they have been paid to shareholders.

All dividends have been paid or will be paid out of revenue profits.

The total dividends payable in respect of the financial year which form the basis of the test under Section 1158 of the Corporation Tax Act 2010 are set out below.

	2021 £'000	2020 £'000
Revenue available for distribution by way of dividend for the year	72,809	62,463
First interim dividend of 4.75p (2020: 4.75p)	(19,723)	(18,341)
Second interim dividend of 4.75p (2020: 4.75p)	(20,205)	(19,041)
Third interim dividend of 4.80p (2020: 4.75p)	(21,218)	(19,704)
Fourth interim dividend of 4.80p (2020: 4.75p) paid on 31 August 2021[1]	(21,434)	(19,779)
Transfer from revenue reserve[2]	**(9,771)**	**(14,402)**

1 Based on 446,549,868 ordinary shares in issue at 5 August 2021 (the ex-dividend date) (2020: 416,404,868)
2 The deficit of £9,771,000 (2020: deficit of £14,402,000) has been taken from the revenue reserve

Since the year end, the Board has announced a first interim dividend of 4.80p per ordinary share, in respect of the year ending 30 June 2022. This will be paid on 30 November 2021 to holders registered at the close of business on 29 October 2021. The Company's shares will go ex-dividend on 28 October 2021.

Notes to the Financial Statements (continued)

11 Investments held at fair value through profit or loss

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
Valuation at 1 July 2020	347	1,571,024	1,571,371
Investment holding gains at 1 July 2020	–	(255,024)	(255,024)
Cost at 1 July 2020	**347**	**1,316,000**	**1,316,347**
Additions at cost	–	222,412	222,412
Disposals at cost	–	(115,227)	(115,227)
Cost at 30 June 2021	**347**	**1,423,185**	**1,423,532**
Investment holding gains at 30 June 2021	–	423,489	423,489
Valuation at 30 June 2021	**347**	**1,846,674**	**1,847,021**

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
Valuation at 1 July 2019	347	1,721,550	1,721,897
Investment holding gains at 1 July 2019	–	(481,604)	(481,604)
Cost at 1 July 2019	**347**	**1,239,946**	**1,240,293**
Additions at cost	–	339,782	339,782
Disposals at cost	–	(263,728)	(263,728)
Cost at 30 June 2020	**347**	**1,316,000**	**1,316,347**
Investment holding gains at 30 June 2020	–	255,024	255,024
Valuation at 30 June 2020	**347**	**1,571,024**	**1,571,371**

The portfolio valuation at 30 June 2021 of £1,846,674,000 (2020: £1,571,024,000) is shown on the Statement of Financial Position as investments held at fair value through profit or loss.

Purchase transaction costs for the year ended 30 June 2021 were £1,046,000 (2020: £1,627,000). These comprise mainly of stamp duty and commission. Sale transaction costs for the year ended 30 June 2021 were £51,000 (2020: £72,000).

The Company received £147,086,000 (2020: £198,824,000) from investments sold in the year. The book cost of these investments when they were purchased were £115,227,000 (2020: £263,728,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

12 Subsidiaries and related undertakings

The Company's related undertakings are its three wholly-owned subsidiary undertakings, all of which are registered in England and Wales: The City of London European Trust Limited, City of London Investments Limited and The City of London Finance Company Limited.

The financial statements of the three companies have not been consolidated on the basis of immateriality and dormancy. Consequently the financial statements present information about the Company as an individual entity. The Directors consider that the values of the subsidiary undertakings are not less than the amounts at which they are included in the financial statements. The subsidiaries are maintained in order to protect the company names.

- The City of London European Trust Limited was incorporated in 1899 as Patrick & McGregor Limited and is dormant, not having traded since 1968. Its registered office is 201 Bishopsgate, London, EC2M 3AE. The aggregate amount of the capital and reserves of The City of London European Trust Limited at 30 June 2021 was £347,000 (2020: £347,000). This company has 10,000 issued ordinary shares of £1 each.
- City of London Investments Limited is a dormant company and has not traded since its incorporation in 1982. Its registered office is 201 Bishopsgate, London, EC2M 3AE. The aggregate amount of the capital and reserves of City of London Investments Limited at 30 June 2021 was £2 (2020: £2). This company has two issued ordinary shares of £1 each.
- The City of London Finance Company Limited is a share dealing company and was dormant throughout the year. Its registered office is 201 Bishopsgate, London, EC2M 3AE. The aggregate amount of capital and reserves of The City of London Finance Company Limited at 30 June 2021 was £2 (2020: £2). This company has two issued ordinary shares of £1 each.

Notes to the Financial Statements (continued)

13 Debtors

	2021 £'000	2020 £'000
Withholding and income tax recoverable	1,953	1,896
Sales for future settlement	692	187
Prepayments and accrued income	7,512	3,879
	10,157	**5,962**

14 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans and overdraft	9,984	22,907
Amounts owed to subsidiary undertakings	347	347
Purchases for future settlement	–	1,716
Dividends payable on preference and preferred ordinary stocks	79	79
8½% debenture stock 2021	–	30,000
Accruals and deferred income	3,913	4,278
	14,323	**59,327**

The Company has an uncommitted overdraft facility of £120,000,000 at 30 June 2021 (2020: £120,000,000) provided by its Custodian and has provided a floating charge over its assets in return. The overdraft may be withdrawn by the Custodian at any time and is repayable on demand. Interest on the overdraft was payable at a rate of HSBC base rate plus 1.25% at 30 June 2021 (2020: plus 1.25%). Covenants relating inter alia to a maximum level of borrowings apply to the Company's borrowing facility. A breach of these covenants may result in any overdraft drawn down becoming repayable immediately.

The £30,000,000 8½% debenture stock 2021 was redeemed at par on 31 January 2021.

15 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
4.53% secured notes 2029	34,720	34,690
2.67% secured notes 2046	29,745	–
2.94% secured notes 2049	49,666	49,658
£301,982 cumulative first preference stock	302	302
£507,202 non-cumulative second preference stock	507	507
£589,672 non-cumulative preferred stock	590	590
	115,530	**85,747**

On 22 January 2014 the Company issued £35,000,000 (nominal) 4.53% secured notes due 2029, net of issue costs totalling £476,000. The issue costs will be amortised over the life of the secured notes.

On 17 November 2017 the Company issued £50,000,000 (nominal) 2.94% secured notes due 2049, net of issue costs totalling £360,000. The issue costs will be amortised over the life of the secured notes.

On 19 March 2021 the Company issued £30,000,000 (nominal) 2.67% secured notes due 2046, net of issue costs totalling £257,000. The issue costs will be amortised over the life of the secured notes.

The repayment terms of the secured notes are as follows:

- £35,000,000 4.53% secured notes 2029 redeemable at par on 22 January 2029.
- £30,000,000 2.67% secured notes 2046 redeemable at par on 19 March 2046.
- £50,000,000 2.94% secured notes 2049 redeemable at par on 17 November 2049.

The notes are secured by a first floating charge over the Company's assets.

Notes to the Financial Statements (continued)

15 Creditors: amounts falling due after more than one year (continued)

A summary of the rights that attach to each of the Preference and Preferred Ordinary Stocks, all of which are non-redeemable, is given below.

	First Preference Stock	Second Preference Stock	Preferred Ordinary Stock
a) Rights to dividends	A fixed cumulative dividend of 6% per annum, of which 5.5% is payable in preference to the dividend on the second preference stock and 0.5% is payable after it.	A fixed non-cumulative dividend of 4.2% per annum, which is payable after the first 5.5% per annum entitlement on the first preference stock.	A fixed non-cumulative dividend of 20% per annum, which is payable after the entitlements on the first and second preference stocks.
b) Priority and amounts receivable on a winding-up	Repayment of capital in priority to payment to the other members of the Company. Any arrears of dividend are payable after the repayment of the capital on the second preference stock.	Repayment of capital after the repayment of the capital on the first preference stock.	Payment of £3.50 in respect of each £1 of capital, after the repayment of the entitlements on the first and second preference stocks.
c) Voting rights at general meetings	Right to attend and vote at general meetings. On a poll, voting rights are one vote per £10 of stock held.	No rights to attend or vote at general meetings (except on a winding-up of the Company or if dividends are in arrears).	Right to attend and vote at general meetings. On a poll, voting rights are one vote per £20 of stock held.

Notes:
i) The dividend entitlements of the first preference stock and the preferred ordinary stock reverted on 6 April 1999 to the rates which applied before 6 April 1973
ii) In the event of a winding-up, the preferred ordinary stock would be repaid at £3.50 per £1 of stock. However, its share of equity shareholders' funds is included in the financial statements at par because no winding-up is envisaged

16 Risk management policies and procedures

The Directors manage investment risk principally through setting an investment policy (that is approved by shareholders) which incorporates risk parameters (see pages 20 and 21), by contracting management of the Company's investments to an investment manager (Janus Henderson) under a contract which incorporates appropriate duties and restrictions and by monitoring performance in relation to these. Internal control and the Board's approach to risk is on pages 43 to 45. There have been no material changes to the management or nature of the Company's investment risks from the prior year.

The main risks arising from the Company's pursuit of its investment objective are market risk (comprising market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The effects of these can also be increased by gearing.

The Board and Janus Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below.

- Straight-through processing via a deal order and management system ("OMS") is utilised for listed securities.
- Portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine.
- Fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises HiPortfolio software.
- The IT tools to which the Janus Henderson risk, compliance and operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - Nasdaq Bwise operational risk database;
  - RiskMetrics, UBS Delta, Style Research, Cognity and Barra for market risk measurement;
  - Bloomberg for market data and price-checking; and
  - HiPortfolio for portfolio holdings and valuations.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises market price risk (see note 16.1.1), currency risk (see note 16.1.2) and interest rate risk (see note 16.1.3). The Fund Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

16.1.1 Market price risk

Market price risk (changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of investments. The Company's investments are susceptible to market price risk arising from uncertainties about the future prices of the investments.

Management of the risk
The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from Janus Henderson. The Board meets regularly and at each meeting reviews investment performance. The Board monitors Janus Henderson's compliance with the Company's objectives, including investment strategy and asset allocation.

When appropriate, the Company may buy/sell put or call options or futures on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. At 30 June 2021, the Company had no open positions (2020: nil).

Concentration of exposure to market price risk
An analysis of the Company's investment portfolio is shown on pages 16 and 17. This shows that the majority of the Company's investments are in UK-listed companies. Accordingly, there is a concentration of exposure to the UK, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity
The sensitivity of (a) the return after taxation for the year and (b) the Company's net assets to an increase or decrease of 10% in the fair values of the Company's investments at each Statement of Financial Position date is shown below. This level of change is considered to be reasonably possible, based on observation of current market conditions.

The impact of a 10% increase in the value of the investments on the revenue return as at 30 June 2021 is a decrease of £180,000 (2020: £153,000) and on the capital return is an increase of £184,247,000 (2020: £156,744,000). The total impact on equity shareholders' funds would be an increase of £184,067,000 (2020: £156,591,000).

The impact of a 10% decrease in the value of the investments on the revenue return as at 30 June 2021 is an increase of £180,000 (2020: £153,000) and on the capital return is a decrease of £184,247,000 (2020: £156,744,000). The total impact on equity shareholders' funds would be a decrease of £184,067,000 (2020: £156,591,000).

16.1.2 Currency risk

The Company is not itself materially exposed to currency risk, although some of the investments will be in companies that have operations that involve currency risk and pay dividends in foreign currencies.

Management of the risk
Investment income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. However, the Company does sometimes hedge foreign currency exposure ahead of the declaration of dividends from companies in which it invests.

Foreign currency exposure
The fair values of the Company's monetary items that have foreign currency exposure at 30 June 2021 are £2,892,000 (2020: £2,345,000).

Foreign currency sensitivity
The Company's sensitivity to movements in exchange rates affecting its investment income, assuming a 10% movement in the sterling/US dollar rate, will be a loss of £816,000 (2020: £1,487,000) if sterling strengthens and a profit of £997,000 (2020: £1,817,000) if sterling weakens and, assuming a 10% movement in the sterling/euro rate, will be a loss of £570,000 (2020: £292,000) if sterling strengthens and a profit of £422,000 (2020: £357,000) if sterling weakens. The 10% movement has been based on average market volatility in exchange rates in the previous 12 months.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.1.3 Interest rate risk

Interest rate movements may affect:

- the level of income receivable from cash at bank and on deposit; and
- the interest payable on the Company's variable rate bank borrowings.

Management of the risk
The Company, generally, does not hold significant cash balances. The Company finances part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts have not been used during the year to hedge against the exposure to interest rate risk. There has been no hedging during the year.

Interest rate exposure
The Company's exposure at 30 June 2021 of financial assets and financial liabilities to fixed interest rate risk can be found in note 15. The exposure to floating interest rates can be found on the Statement of Financial Position under cash at bank and under bank overdraft in note 14.

Interest receivable and finance costs are at the following rates:

- interest received on cash balances is at a margin over the HSBC base rate; and
- interest paid on borrowings under the overdraft facility provided by the Custodian is at a margin of 1.25% above the HSBC base rate (2020: same).

The table below analyses the Company's contractual liabilities.

	2021			2020		
	Within 1 year £'000	**Between 1 and 5 years £'000**	**More than 5 years £'000**	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
Debenture stock[1]	–	–	–	31,488	–	–
Secured notes[2]	3,857	15,426	169,234	3,056	12,222	126,494
Preference stock and preferred ordinary stock[3]	157	628	1,399	157	628	1,399
Bank overdrafts and interest	9,984	–	–	22,907	–	–
Other creditors and accruals	4,339	–	–	6,420	–	–
	18,337	**16,054**	**170,633**	**64,028**	**12,850**	**127,893**

1 In the prior year, the "within 1 year" figure shows interest payable over the remaining term of the debenture stock and the capital that was repaid
2 The above figures show interest payable over the remaining term of the secured notes. The figures in the "more than 5 years" column also include the capital to be repaid. Details of repayment are set out on page 75 and interest payment dates on page 91
3 The figures in the "more than 5 years" columns do not include the ongoing annual finance cost of £157,000

Interest rate risk sensitivity
The Company is not materially exposed to changes in interest rates.

16.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk
Liquidity risk is not significant as the majority of the Company's assets is in investments in quoted equities that are readily realisable. For details of the Company's bank borrowing facility, see note 14.

The Board gives guidance to Janus Henderson as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should remain fully invested in normal market conditions and that short-term borrowings should be used to fund short-term cash requirements.

Liquidity risk exposure
The remaining contractual maturities of the financial liabilities at 30 June 2021, based on the earliest date on which payment can be required, is given on page 75.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.3 Credit and counterparty risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk
The risk is not significant and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Fund Manager, and limits are set on the amount that may be due from any one broker; and
- cash at bank and overdrafts is held only with reputable banks with high quality external credit ratings.

Stock lending transactions are carried out with a number of approved counterparties, whose credit rating is reviewed regularly by Janus Henderson and limits are set on the amount that may be lent to any one counterparty. Stock lending is the temporary transfer of securities by a lender to a borrower, with an agreement by the borrower to return equivalent securities to the lender at an agreed future date. Stock lending revenue is received for making the investments available to the borrower, which increases the returns on the portfolio. In all cases, securities lent continue to be recognised in the Statement of Financial Position. Details of the value of securities on loan at the year end, and the collateral held, can be found in note 4.

In summary, the Company only transacts with counterparties that it considers to be credit worthy. The exposure to credit and counterparty risk at 30 June 2021 was to other debtors of £10,157,000 (2020: £5,962,000).

None of the Company's financial assets are past their due date or impaired.

16.4 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value or the Statement of Financial Position amount is a reasonable approximation of fair value (debtors and creditors falling due within one year). The debenture stock, secured notes, preference stocks and preferred ordinary stock are carried in the Statement of Financial Position at par.

At 30 June 2021, the fair value of the debenture stock was £nil (2020: £31,191,000) and the aggregate fair value of the preferred and preference stock was £2,635,000 (2020: £2,634,000).

The valuation of the debenture stock was obtained from brokers based on market prices. The valuations of the preferred and preference stock are from the Daily Official List quotations.

At 30 June 2021, the fair value of the secured notes was estimated to be £128,494,000 (2020: £103,950,000).

The fair value of the secured notes is calculated using a discount rate which reflects the yield of a UK Gilt of similar maturity plus a suitable credit spread.

The debenture stock, preference stocks and preferred ordinary stock are categorised as Level 1 in the fair value hierarchy. The secured notes are categorised as Level 3 in the fair value hierarchy.

16.5 Fair value hierarchy disclosures

The table below sets out fair value measurements using FRS 102 fair value hierarchy.

Financial assets at fair value through profit or loss at 30 June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,846,674	–	347	1,847,021
Total	**1,846,674**	**–**	**347**	**1,847,021**

Financial assets at fair value through profit or loss at 30 June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,571,024	–	347	1,571,371
Total	**1,571,024**	**–**	**347**	**1,571,371**

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – the unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly; and

Level 3 – inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

Notes to the Financial Statements (continued)

16 Risk management policies and procedures (continued)

16.5 Fair value hierarchy disclosures (continued)

The valuation techniques used by the Company are explained in the accounting policies note on page 67.

There have not been any transfers during the year between any of the levels. A reconciliation of fair value movements within Level 3 is set out below.

Reconciliation of Level 3 fair value measurement of financial assets	£'000
Opening and closing fair value	347

16.6 Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to provide long-term growth in income and capital, principally by investment in UK equities.

The Company's total capital at 30 June 2021 was £1,852,839,000 (2020: £1,570,913,000) comprising £9,984,000 (2020: £22,907,000) of bank overdrafts, £nil (2020: £30,000,000) of debenture stock, £114,131,000 (2020: £84,348,000) of secured notes, £1,399,000 (2020: £1,399,000) of preference and preferred stock and £1,727,325,000 (2020: £1,432,259,000) of equity share capital and reserves.

The Company is subject to several externally imposed capital requirements:

- *borrowings under the overdraft facility are not to exceed the lower of £120,000,000 or 15% of the portfolio;*
- as a public company, the Company has a minimum share capital of £50,000;
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law; and
- the terms of the secured notes include financial covenants in relation to the level of borrowings.

The Company has complied with these requirements.

Other than in exceptional market conditions, gearing will not exceed 20% of the net asset value at the time of the draw down of the relevant borrowings.

17 Called up share capital

	Shares in issue	Nominal value of total shares in issue £'000
Allotted and issued ordinary shares of 25p each:		
At 1 July 2020	416,404,868	104,101
Buyback of ordinary shares for treasury	(1,175,000)	–
Issue of ordinary shares from treasury	1,175,000	–
Issue of new ordinary shares	29,220,000	7,305
At 30 June 2021	**445,624,868**	**111,406**

	Shares in issue	Nominal value of total shares in issue £'000
Allotted and issued ordinary shares of 25p each:		
At 1 July 2019	378,834,868	94,709
Issue of new ordinary shares	37,570,000	9,392
At 30 June 2020	**416,404,868**	**104,101**

During the year 1,175,000 ordinary shares of 25p were purchased by the Company (2020: nil) at a total cost of £3,736,000 (2020: £nil) all of which were placed into treasury. These shares were then re-issued for total proceeds of £3,860,000 after deduction of issue costs of £6,000. The Company then issued 29,220,000 (2020: 37,570,000) ordinary shares with total proceeds of £109,811,000 (2020: £148,648,000) after deduction of issue costs of £170,000 (2020: £575,000). The average price of the ordinary shares that were issued was 375.8p (2020: 395.7p).

Notes to the Financial Statements (continued)

18 Share premium account

	2021 £'000	2020 £'000
At beginning of year	752,967	613,711
Issue of ordinary shares from treasury	124	–
Issue of new shares	102,676	139,831
Less: issue costs	(170)	(575)
At end of year	**855,597**	**752,967**

19 Other capital reserves

	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2020	2,707	255,022	271,839	526,861
Transfer on disposal of investments	–	(23,405)	23,405	–
Net gains on investments[1]	–	191,870	8,454	200,324
Buyback of 1,175,000 ordinary shares for treasury	–	–	(3,736)	(3,736)
Issue of 1,175,000 ordinary shares from treasury	–	–	3,736	3,736
Exchange losses	–	–	(57)	(57)
Management fees charged to capital	–	–	(3,484)	(3,484)
Finance costs charged to capital	–	–	(3,589)	(3,589)
Other administrative expenses	–	–	(7)	(7)
At 30 June 2021	**2,707**	**423,487**	**296,561**	**720,048**

1 During the year the Company received special dividends totalling £7,160,000 which were deemed to be capital in nature and were taken to the capital reserve arising on investments sold. These dividends are available to be distributed to shareholders as part of realised capital profits

	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2019	2,707	481,602	344,735	826,337
Transfer on disposal of investments	–	(14,866)	14,866	–
Net losses on investments	–	(211,714)	(79,770)	(291,484)
Exchange gains	–	–	96	96
Management fees charged to capital	–	–	(3,400)	(3,400)
Finance costs charged to capital	–	–	(4,681)	(4,681)
Other administrative expenses	–	–	(7)	(7)
At 30 June 2020	**2,707**	**255,022**	**271,839**	**526,861**

20 Revenue reserve

	£'000
At 1 July 2020	45,623
Net return for the year	72,809
Dividends paid (note 10)	(80,865)
At 30 June 2021	**37,567**

Notes to the Financial Statements (continued)

20 Revenue reserve (continued)

	£'000
At 1 July 2019	58,259
Net return for the year	62,463
Dividends paid (note 10)	(75,099)
At 30 June 2020	**45,623**

21 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £1,727,325,000 (2020: £1,432,259,000) and on 445,624,868 (2020: 416,404,868) shares in issue on 30 June 2021.

An alternative net asset value per ordinary share can be calculated by deducting from the total assets less current liabilities of the Company the preference and preferred ordinary stocks and secured notes at their market (or fair) values rather than at their par (or book) values. The net asset value per ordinary share at 30 June 2021 calculated on this basis was 384.12p (2020: 338.67p).

The movements during the year of the assets attributable to the ordinary shares were as follows:	**£'000**
Total net assets attributable to the ordinary shares at 1 July 2020	1,432,259
Total net return after taxation	265,996
Dividends paid on ordinary shares in the year	(80,865)
Issue of shares	109,935
Total net assets attributable to the ordinary shares at 30 June 2021	**1,727,325**

The Company does not have any dilutive securities.

22 Capital commitments and contingent liabilities

Capital commitments

There were no capital commitments as at 30 June 2021 (2020: none).

Contingent liabilities

As at 30 June 2021, there were no contingent liabilities (2020: none).

23 Transactions with the Manager and related parties

Under the terms of an agreement effective from 22 July 2014 the Company has appointed subsidiaries of Janus Henderson Group plc to provide investment management, accounting, secretarial and administrative services. Janus Henderson has contracted BNP Paribas Securities Services to provide accounting and administration services.

Details of the fee arrangements for these services are given on page 27. The total of management fees paid or payable to Janus Henderson under this agreement in respect of the year ended 30 June 2021 was £4,977,000 (2020: £4,857,000). The amount outstanding at 30 June 2021 was £2,658,000 (2020: £2,150,000).

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. The total fees paid or payable for these services for the year ended 30 June 2021 amounted to £72,000 including VAT (2020: £72,000) of which £29,000 was outstanding at 30 June 2021 (2020: £55,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 53 and in note 6 on page 71.

Securities Financing Transactions

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015-2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the year ended 30 June 2021 are detailed below.

Global Data

The amount of securities on loan as a proportion of total lendable assets and the Company's net assets as at 30 June 2021 are disclosed below:

	Stock lending	
Market value of securities on loan £'000	% of lendable assets	% of assets under management
211,020	11.43	12.22

Concentration Data

The ten largest collateral issuers across all the securities financing transactions at 30 June 2021 are disclosed below:

Issuer	**Market value of collateral received £'000**
UK Treasury	47,924
Government of France	15,923
National Grid	13,870
Royal Dutch Shell	12,004
Government of Japan	10,080
Softbank Group	9,369
Ferguson	8,913
Diageo	6,390
Rio Tinto	5,542
Marubeni	4,422
	134,437

The top ten counterparties of each type of securities financing transactions at 30 June 2021 are disclosed below:

Counterparty	**Market value of securities on loan £'000**
Barclays	130,853
HSBC	42,761
Citigroup	17,057
Morgan Stanley	11,741
Goldman Sachs	8,603
Société Générale	5
	211,020

All counterparties are shown.

Securities Financing Transactions (continued)

Aggregate Transaction Data

The following table discloses a summary of aggregate transaction data related to the collateral received from securities on loan at 30 June 2021:

Stock lending

Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
Barclays	London	Equity	Main Market Listing	AUD	Tri-party	HSBC	1,537
		Equity	Main Market Listing	EUR	Tri-party	HSBC	10,113
		Equity	Main Market Listing	GBP	Tri-party	HSBC	77,326
		Equity	Main Market Listing	JPY	Tri-party	HSBC	44,077
		Equity	Main Market Listing	SEK	Tri-party	HSBC	751
		Equity	Main Market Listing	USD	Tri-party	HSBC	4,900
HSBC	Hong Kong	Equity	Main Market Listing	USD	Tri-party	HSBC	2,137
		UK Gilts	Investment Grade	GBP	Bilateral	HSBC	32,579
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	10,204
Citigroup	US	Government Debt	Investment Grade	EUR	Tri-party	HSBC	12,521
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	558
		Government Debt	Investment Grade	USD	Tri-party	HSBC	2,559
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	2,271
Morgan Stanley	US	Equity	Main Market Listing	AUD	Tri-party	HSBC	1
		Equity	Main Market Listing	GBP	Tri-party	HSBC	2
		Equity	Main Market Listing	JPY	Tri-party	HSBC	3
		Equity	Main Market Listing	SGD	Tri-party	HSBC	1
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	285
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	9,521
		Government Debt	Investment Grade	USD	Tri-party	HSBC	49
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	2,870
Goldman Sachs	US	Government Debt	Investment Grade	EUR	Bilateral	HSBC	9,070
Société Générale	France	Equity	Main Market Listing	EUR	Tri-party	HSBC	1
		Equity	Main Market Listing	GBP	Tri-party	HSBC	2
		Equity	Main Market Listing	USD	Tri-party	HSBC	3
							223,341

The lending and collateral transactions are on an open basis and can be recalled on demand.

Re-use of collateral
The Company does not engage in any re-use of collateral.

Return and cost
The return and cost of engaging in securities lending by the Company and the securities lending agent in absolute terms and as a percentage of overall returns are disclosed below:

Total gross amount of securities lending income	Direct and indirect costs and fees deducted by securities lending agent	% return of the securities lending agent	Net securities lending income retained by the Company	% return of the Company
£329,000	£66,000	20	£263,000	80

Alternative Performance Measures (unaudited)

The Company uses the following Alternative Performance Measures ("APMs") throughout the annual report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders to help assess the Company's performance against its peer group.

Discount or Premium

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per ordinary share.

	NAV with debt at fair value Pence	NAV with debt at par value Pence	Share price Pence	Premium to fair value NAV %	Premium/ (discount) to par value NAV %
At 30 June 2021	384.12	387.62	390.00	1.5	0.6
At 30 June 2020	338.67	343.96	340.00	0.4	(1.2)

Gearing/(Net Cash)

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans, overdrafts, debentures or secured notes) the Company has used to invest in the market, and is calculated by taking the difference between total investments (see note 11 on page 74) and total shareholders' funds (see Statement of Financial Position), dividing this by total shareholders' funds and multiplying by 100 as indicated below:

		2021	2020
Investments held at fair value through profit or loss (page 74) (£'000)	(A)	1,846,674	1,571,024
Net assets (page 66) (£'000)	(B)	1,727,325	1,432,259
Gearing (C = A/B – 1) (%)	(C)	6.9	9.7

The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

Net Asset Value ("NAV") per Ordinary Share

The value of the Company's assets (i.e. investments (see note 11)) and cash held (see Statement of Financial Position) less any liabilities (i.e. bank borrowings and debt securities (see notes 14 and 15)) for which the Company is responsible divided by the number of shares in issue (see note 17). The aggregate NAV is also referred to as total shareholders' funds in the Statement of Financial Position. The NAV per share is published daily and the year end NAV can be found on page 66 and further information is available on page 82 in note 21 within the notes to the financial statements.

Net Asset Value with Debt at Fair Value

The Company's debt (bank borrowings, debenture stock, secured notes, preference and preferred stocks, further details can be found in notes 14 and 15 on pages 75 and 76) is valued in the Statement of Financial Position (page 66) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par'. The current fair value of the debt, which assumes it is repaid under current market conditions, is referred to as 'Debt at Fair Value'. This fair value is detailed in note 16.4 on page 79. The difference between the fair and par values of the debt is subtracted from or added to the Statement of Financial Position to derive the NAV with debt at fair value (see note 21 on page 82). The NAV with debt at fair value at 30 June 2021 was £1,711,726,000 (384.12p per ordinary share) and the NAV with debt at par was £1,727,325,000 (387.62p per ordinary share).

Alternative Performance Measures (unaudited) (continued)

Ongoing Charge

The ongoing charge ratio has been calculated in accordance with guidance issued by the AIC. It represents the total investment management fee and other administrative expenses expressed as a percentage of the average net asset values with debt at fair value throughout the year.

	2021 £'000	2020 £'000
Management fee (note 5)	4,977	4,857
Other administrative expenses (note 6)	726	696
Less: non-recurring expenses	(19)	(13)
Ongoing charge	**5,684**	**5,540**
Average net assets[1]	**1,498,874**	**1,528,506**
Ongoing charge ratio	**0.38%**	**0.36%**

1 Calculated using the average daily net asset value with debt at fair value

The ongoing charge calculated above is different from ongoing costs provided in the Company's Key Information Document ("KID") which are calculated in line with the PRIIPs regulations. The ongoing costs in the KID include finance costs, stock lending fees and costs of holding other investment trusts within the Company's investment portfolio.

Revenue Earnings per Share

The revenue earnings per share is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see note 9 on page 73).

Revenue Reserve per Share

The revenue reserve per share is the revenue reserve (see Statement of Financial Position) at the year end divided by the number of shares in issue (see note 17 on page 80) at the year end date.

Total Return

The total return is the return on the share price or NAV with debt at fair value taking into account both the rise and fall of NAVs/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV with debt at fair value total return). Dividends paid and payable are set out in note 10 on page 73.

	NAV per share with debt at fair value	Share price
NAV/Share price per share at 30 June 2020 (pence)	338.67	340.0
NAV/Share price per share at 30 June 2021 (pence)	384.12	390.0
Change in the year (%)	13.4	14.7
Impact of dividends reinvested (%)	5.8	5.7
Total return for the year (%)	**20.0**	**21.3**

Yield

The yield is the annual dividend expressed as a percentage of the year end share price.

		30 June 2021	30 June 2020
Annual dividend (pence)	(A)	19.1	19.0
Share price (pence)	(B)	390.0	340.0
Yield (C = A/B) (%)	(C)	4.9	5.6

Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFM") and depositary to manage and oversee the operations of the investment vehicle. The Board of Directors retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Alternative Performance Measures

Details of alternative performance measures used by the Company can be found on pages 86 and 87.

Association of Investment Companies ("AIC")

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities. The Company is a constituent of the UK Equity Income sector.

Benchmark

A measure against which performance is compared. For the Company this is the FTSE All-Share Index.

Custodian

The custodian is responsible for ensuring the safe custody of the Company's assets and ensuring that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

As an AIF, the Company is required to appoint a depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation. The depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

Dividend Dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's Registrar to know which shareholders should be paid a dividend. Only shareholders on the Register of Members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

Investment Trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market Capitalisation

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

General Shareholder Information

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and remuneration of Henderson Investment Funds Limited, as the Company's Alternative Investment Fund Manager are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in an AIFMD Disclosure document which can be found on the Company's website.

BACS

Dividends and interest can be paid to shareholders and stockholders by means of BACS ("Bankers' Automated Clearing Services"); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard ("CRS")

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information is provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act 2010

This report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

Foreign Account Tax Compliance ("FATCA")

FATCA is a United States federal law whose intent is to enforce the requirement for United States persons (including those living outside the US) to file yearly reports on their non-US financial accounts. Each year, investment trusts need to monitor the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company therefore needs to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report US reportable accounts to HMRC, as required.

General Data Protection Regulation ("GDPR")

A privacy statement can be found on the website **www.janushenderson.com**.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Non-Mainstream Pooled Investments Status

The Company currently conducts its affairs so that its ordinary shares of 25p each can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Packaged Retail and Insurance-based Investment Products Regulation ("PRIIPs")/Key Information Document ("KID")

Investors should be aware that PRIIPs requires the Manager, as the PRIIP manufacturer, to prepare a KID in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

General Shareholder Information (continued)

Performance Details/Share Price Information

Details of the Company's share price and NAV can be found on the website. The address is **www.cityinvestmenttrust.com**. The Company's NAV is published daily.

The market price of the Company's ordinary shares is published daily in The Financial Times and other leading newspapers. The Financial Times also shows figures for the estimated NAV and the premium/discount.

The market prices of the Company's ordinary shares, preference and preferred ordinary stocks can be found in the London Stock Exchange Daily Official List.

Shareholder Details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via **www.investorcentre.co.uk**.
To gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

Dates of Dividend and Interest Payments

Dividends[1]

Ordinary shares:

- first interim payable on 30 November
- second interim payable on 28 February
- third interim payable on 31 May
- fourth interim payable on 31 August

Preference and preferred ordinary stocks:

- payable on 28 February and 31 August

1 Payments are made on the nearest working day prior to the dates indicated above

Financial Calendar

Annual results: September

Annual General Meeting: October

Half-year results: February

Secured Notes Interest

4.53% secured notes 2029:

- payable on 22 January and 22 July
  Redeemable at par on 22 January 2029

2.94% secured notes 2049:

- payable on 17 May and 17 November
  Redeemable at par on 17 November 2049

2.67% secured notes 2046:

- payable on 19 March and 19 September
  Redeemable at par on 19 March 2046

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please contact the Corporate Secretary on the telephone number detailed on page 92.

Corporate Information

Registered Office

201 Bishopsgate
London EC2M 3AE

Service Providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818
Email: support@janushenderson.com

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

UK

Stockbrokers

Cenkos Securities plc
6-8 Tokenhouse Yard
London EC2R 7AS

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 889 3296
Email: WebCorres@computershare.co.uk

Investors with share certificates (ie not those with a share plan or ISA) can check their holding at **www.investorcentre.co.uk**

New Zealand

Stockbrokers

Craigs Investment Partners
PO Box 13155
Tauranga 3141
New Zealand

Registrar

Computershare Investor Services Limited
PO Box 92119
Auckland 1142
New Zealand
Telephone (New Zealand): (64) 09 488 8777

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Information Sources

For more information about The City of London Investment Trust plc, visit the website at **www.cityinvestmenttrust.com.**

To sign up for expert insights about investment trusts, updates from our fund managers as well as AGMs and Trust TV episodes, please visit this page:
www.janushenderson.com/en-gb/investor/subscriptions

Follow the Janus Henderson Investment Trusts on LinkedIn – Janus Henderson Investment Trusts, UK

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman.

The City of London Investment Trust plc
Registered as an investment company in England and Wales
Registration Number: 34871
Registered Office: 201 Bishopsgate, London EC2M 3AE

ISIN number/SEDOL: Ordinary Shares: GB0001990497/0199049
London Stock Exchange (TIDM) Code: CTY
New Zealand Stock Exchange Code: TCL
Global Intermediary Identification Number (GIIN): S55HF7.99999.SL.826
Legal Entity Identifier (LEI): 213800F3NOTF47H6AO55

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INVESTORS

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