

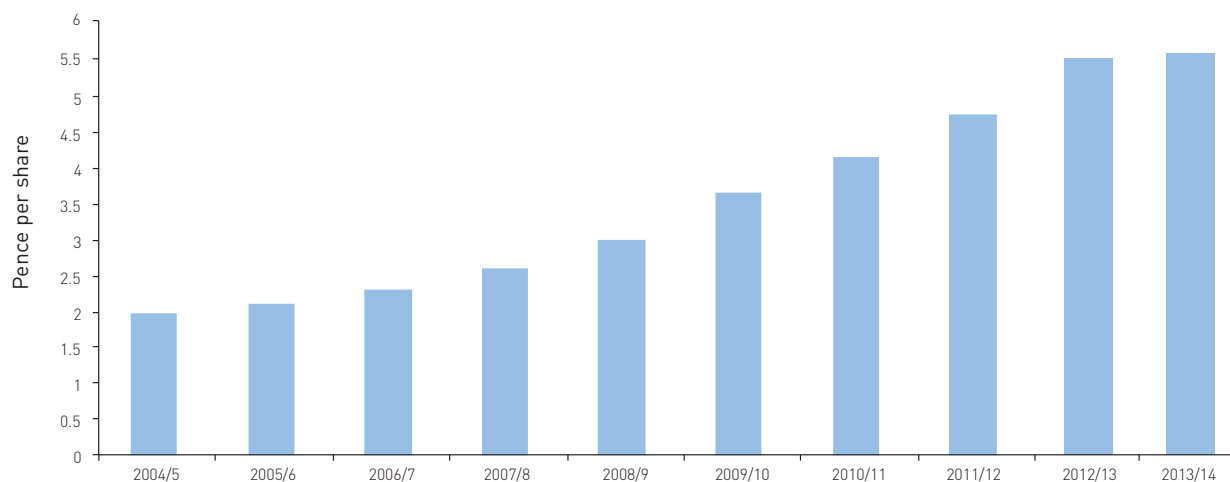
citynatural
resources
high yield trust plc



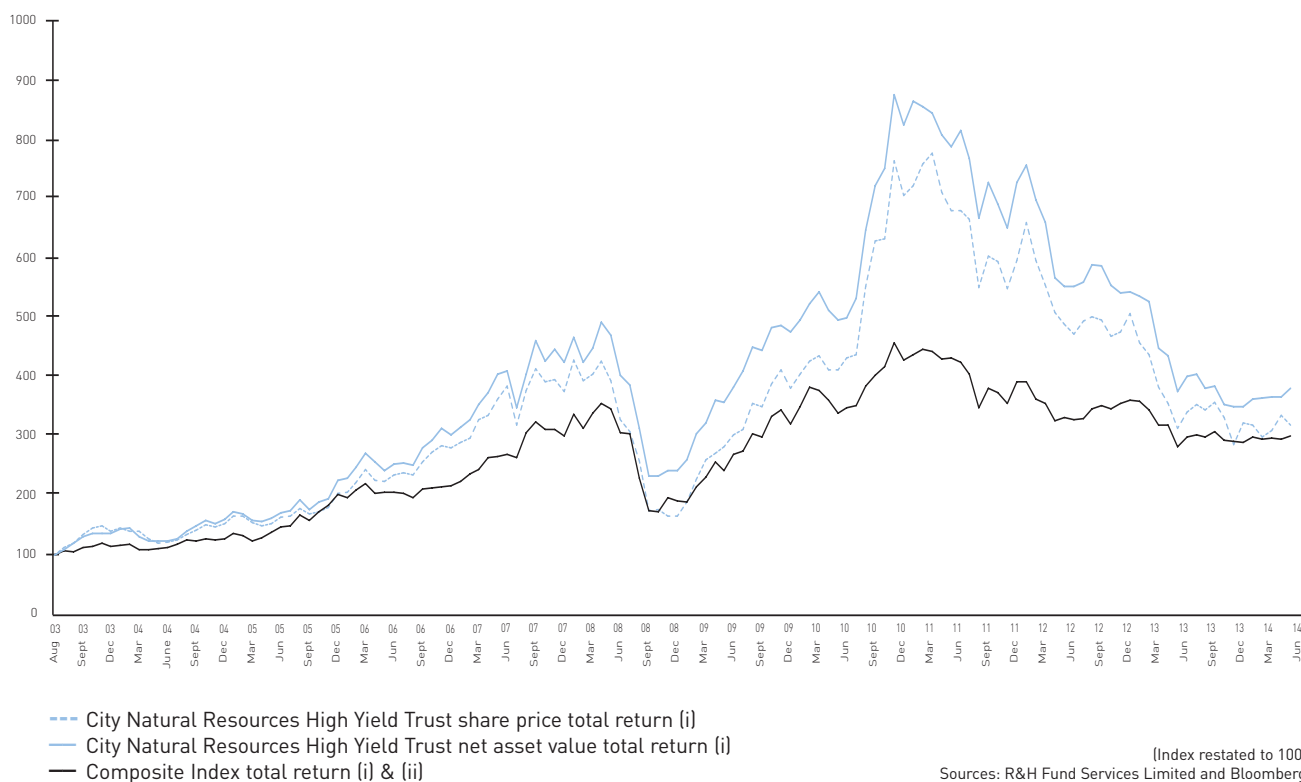
Annual Report

30 June 2014

Dividends Declared in Respect of Each Financial Year



Net Asset Value Total Return and Share Price Total Return v Composite Index Total Return



(i) Net dividends reinvested.

(ii) Composite index of two-thirds Euromoney Global Mining Index (sterling adjusted) and one-third Credit Suisse High Yield Index (sterling adjusted).

Note: Graph starts at 1 August 2003, this being the date from which the investment objective changed.

Our Objective

To provide shareholders with capital growth and income predominantly from a portfolio of mining and resource equities and of mining, resource and industrial fixed interest securities.

Contents

Strategic Report

- 2 Financial Highlights
- 3 Chairman's Statement
- 5 Investment Manager's Review
- 7 Sector Split Analysis
- 8 Investment Portfolio
- 10 Ten Largest Holdings
- 11 Strategic Review

Directors' Reports and Governance Reports

- 14 Board of Directors and Investment Manager
- 16 Directors' Report
- 19 Statement of Directors' Responsibilities
- 20 Statement of Corporate Governance
- 22 Report of the Audit Committee
- 24 Directors' Remuneration Report

Auditor's Report

- 26 Independent Auditor's Report

Financial Statements

- 28 Income Statement
- 28 Reconciliation of Movement in Shareholders' Funds
- 29 Balance Sheet
- 30 Cash Flow Statement
- 31 Notes to the Financial Statements

General Information and Annual General Meeting

- 45 Glossary of Terms and Definitions
- 46 Notice of Annual General Meeting
- 49 Corporate Information

Financial Highlights

Total Return*	Year to 30 June 2014	Year to 30 June 2013	Period from 1 August 2003 to 30 June 2014
Net asset value	+1.4%	-32.0%	+281.0%
Ordinary share price	+2.2%	-35.9%	+219.7%
Composite index	+6.1%	-14.3%	+200.8%
Euromoney Global Mining Index (sterling adjusted)	+8.7%	-22.0%	+228.3%
Credit Suisse High Yield Index (sterling adjusted)	-0.3%	+12.9%	+145.8%

Capital Values	30 June 2014	30 June 2013	% change period
Net asset value per share	159.9p	163.1p	-2.0%
Ordinary share price (mid market)	133.0p	135.0p	-1.5%
3.5% Convertible Unsecured Loan Stock ("CULS") (mid market)	90.8p	93.5p	-2.9%

Revenue and Dividends	30 June 2014	30 June 2013	% change period
Earnings per ordinary share	5.45p	6.34p	-14.1%
Dividends per ordinary share	5.60p	5.50p	+1.8%
Dividend Yield	4.2%	4.1%	
Discount (difference between share price and fully diluted net asset value)	-16.8%	-17.2%	
Gearing*			
Gearing provided by CULS	20.5%	22.7%	
Ongoing charges (as a percentage of average shareholders' funds)	1.7%	1.5%	

Period's Highs/Lows	2013/14 High	2013/14 Low
Net asset value	174.2p	141.4p
Ordinary share price (mid market)	164.0p	120.0p
Discount	-1.5%	-25.3%

Dividend History	Rate	xd date	Record date	Payment date
Fourth interim 2014	3.02p	30 July 2014	1 August 2014	29 August 2014
Third interim 2014	0.86p	30 April 2014	2 May 2014	30 May 2014
Second interim 2014	0.86p	29 January 2014	31 January 2014	28 February 2014
First interim 2014	0.86p	30 October 2013	1 November 2013	29 November 2013
Total	5.60p			
Fourth interim 2013	2.92p	7 August 2013	9 August 2013	30 August 2013
Third interim 2013	0.86p	24 April 2013	26 April 2013	31 May 2013
Second interim 2013	0.86p	30 January 2013	1 February 2013	22 February 2013
First interim 2013	0.86p	31 October 2012	2 November 2012	30 November 2012
Total	5.50p			

* A glossary of the terms used can be found on page 45.

Chairman's Statement

3

Highlights

- Net asset value total return of 1.4 per cent.
- Ordinary share price total return of 2.2 per cent.
- Eighth consecutive increase in the annual dividend, with an increase of 280 per cent since 1 August 2003.
- Net asset value total return of 281.0 per cent since 1 August 2003 compared to a total return of 200.8 per cent from the benchmark index.
- Ordinary share price total return since 1 August 2003 of 219.7 per cent.

Introduction

Following two consecutive years when it was my duty to report net asset value falls of over 30 per cent (the year before it had increased by more than 50 per cent), I can this year report that the rout in commodity prices has halted. I can not yet report on a material recovery.

Investment and Share Price Performance

At 30 June 2014 your Company's net asset value stood at 159.9 pence, giving a net asset value total return for the year of 1.4 per cent. The benchmark index returned 6.1 per cent.

The Company's ordinary share price total return for the year was a little better than this, the 2.2 per cent return reflecting a slight narrowing in the discount at which the Company's shares trade from 17.2 per cent to 16.8 per cent during the year. The average discount over the year to 30 June 2014 was 15.9 per cent, and over three years 15.4 per cent. At the time of writing the discount is 11.9 per cent.

Your Company continues to provide a unique exposure to the less accessible areas of smaller mining and resource stocks, and a degree of volatility is inevitable. Your Board and Manager look to manage this volatility, with our income emphasis and the diversification of stocks, sectors and geography being an important part of that process, but it cannot be eliminated.

Over the long term, since the redirection of the Company in 2003 net asset value total return is 281.0 per cent, ordinary share price total return 219.7 per cent, and benchmark total return 200.8 per cent.

Income and Dividends

Income and dividends have been a focus of the Company since 2004, with dividends increasing by 280 per cent since then, and we believe they contribute an important element of stability in our volatile asset class.

This year's fourth interim dividend of 3.02 pence brought the total dividend for the year to 5.60 pence, making for growth of 1.8 per cent in the full year dividend over last year's equivalent, and bringing to eight the number of consecutive years of dividend growth.

Shareholders will be aware, however, that the vast majority of the Company's income is derived from overseas securities and, therefore, can be radically influenced by currency movements. Due to the strength of sterling during the period, good underlying income generation has been greatly reduced once converted into sterling. This has been the largest factor in a fall in earnings per share to 5.45 pence for the current year. Although your Board expects a solid income performance in the year to 30 June 2015, and the current dividend level to be covered by earnings in that period, it deemed it prudent to declare a moderate increase this year, recognizing that currency could still have an impact. The Board has no qualms about utilizing revenue reserves to maintain current dividend levels as it has done this year, so long as longer term income generation is deemed safe. These reserves have been built up for the very purpose of smoothing lumpiness in underlying income generation.

The yield on the Company's shares is 4.3 per cent as I write.

Gearing and 3.5% Cumulative Unsecured Loan Stock 2018 ("CULS")

The Company has £39.9 million nominal of CULS in issue. Gearing was generally maintained in the range of 20 per cent to 25 per cent of shareholders' funds during the year, 25 per cent being the upper limit allowed under the Company's investment policy. It was 20.5 per cent at the year end.

The Company's 3.5% Cumulative Unsecured Loan Stock 2018 ("CULS") price fell from 93.5 pence to 90.8 pence during the year, a decline of 2.9 per cent. Since the year end the price has risen to 97.0 pence.

Board Changes

As part of the Board's annual evaluation of its competence, performance, balance and range of skills, it concluded that a fresh contribution from a new Director would be desirable. Discussion suggested that the Board's resource and investment trust industry experience was already strong, but that a Director who intimately understood our majority shareholder base (private shareholders and their wealth managers) was desirable. A search was undertaken which included recommendations sought from all of our advisers, and, following interview, one of the candidates was selected. I am pleased to report that Alun Evans, formerly Managing Director of Carr Sheppards Financial Services Division and currently responsible for the development of intermediary business at Quilter Cheviot agreed to join the Board. His appointment was effective on 26 September 2014 and he is standing for election by shareholders at this year's Annual General Meeting.

Annual General Meeting

After two years in London, the Company's Annual General Meeting returns to the regions this year and will take place at The Royal Crescent Hotel, Bath at 12.30pm on Thursday 27 November 2014. I do hope that as many shareholders as possible will join us and take the opportunity to meet the Directors and the Investment Manager over a buffet lunch after the meeting. The Board finds these meetings in various parts of the country a very useful way to keep in touch with our widely spread shareholder base.

Outlook

Very little has changed with regard to the investment environment over the last year. Global economic recovery is happening slowly, more slowly in the Eurozone than in the United States and the UK, while the usual caveats apply to the Chinese, Indian and Brazilian growth stories. The end of ultra-low interest rates seems little closer, while quantitative easing continues on a huge scale, with the Eurozone apparently primed to pick up any slack in supply from the United States. We continue to believe that the threat of serious inflation will, sooner or later, mean the return of financial rectitude, but, as St Augustine might have it, not yet...

While for the most part stock markets have continued to gorge themselves at the trough of easy money, commodity prices have had only the crumbs to feed on. Prices have firmed, with old and new international crises, until recently, providing a measure of support for the oil price, but only at a level that has allowed the shale oil revolution in the United States to prosper without choking off economic growth. Gold has flickered, but with bullion having fallen 30 per cent from its highs, and miners more than twice that, it had every right to do so. 27 per cent of your Company's portfolio is represented by oil and gas equities, with 13 per cent of it in gold equities. Palm oil is the core of our soft commodity exposure, and copper, nickel and uranium are all material interests.

The resources sector has stabilised, helped by the cancellation of a number of capital projects, the consequences of which have still to work their way through the system, and a renewed focus on shareholder value, the benefits of which should be seen over the next year-or-so in the shape of increased returns. The medium term case for your Company remains as compelling as ever, world population growth and increasing urbanisation underpinning an expanding demand for resources. It is not possible to predict when a sustained recovery in the sector will arrive, but it is possible to say with certainty that it is closer, and the equity proportion of the portfolio has been tweaked upwards in anticipation of it. Your Company continues to provide the diversification into less accessible areas of resource companies that its shareholders seek, positioning your Company to outperform, as it has done in the past, when the recovery does come.

Geoff Burns

Chairman

26 September 2014

Investment Manager's Review

5

Backdrop

The global economy continued to recover from the heart attack suffered during the global financial crisis of 2007/2008, and resource equities began their rehabilitation after the three year bear market that started in 2011. Despite global equities exuberantly breaking to new ground, mining equities, in particular, have not yet been invited to this party as the market needs firm evidence of a change in behaviour and has yet to trust the new management team's promises of contrition. A painful example of the sector's past tendency to damaging excess was displayed this month when Rio sold their Mozambiquan coal assets for \$50m. The very same ones that had been acquired in 2011 by the takeover of Riversdale Mining for \$3.9bn. Such destruction of shareholders funds will not quickly be forgotten.

Shareholder Value

One of the pledges given by the sector is to increase returns to shareholders, a quality that has always been one of the attractions of the Canadian ex Royalty trusts, which not only strive to grow their businesses, but also maintain a healthy dividend payout. The performance of Vermilion Energy, up 44% over the year, Arc Resources, up 16%, Bonterra Energy, up 30%, and Crescent Point Energy, up 32%, are confirmation of the appeal of that strategy to investors. These stocks have also been helped by the relatively steady, and elevated, oil price this year as dramatic production increases in North America have countered increasing supply disruption from the ever volatile Middle East.

Income

The bond and preference portion of the portfolio provides a high level of income in order to assist the Company in maintaining its overall dividend. We reduced the overall exposure to bonds and preference shares by about 7% of investments in the last financial year as we saw some of the bonds such as Skipton 10% 2018, Arcelor Mittal 8.75% perpetual and Petrobas 9.1875% 2013 redeemed. In the convertibles, ECR Minerals and Rose Petroleum were both exercised with the equity portion received being sold at a substantial profit. New positions initiated during the year include Iona Energy 9.5% 2018, Bluewater Holdings 10% 2019 and General Exploration 11.5% 2018. We continue to scour the market for bonds, convertibles and preference shares that can enhance the income account and are also optimistic as to the prospect of a growing dividend stream from mining equities (see Outlook).

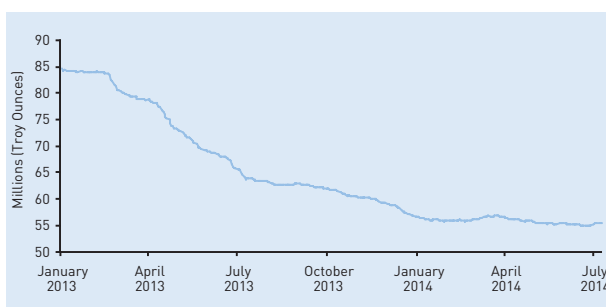
Capital

The primary mover of the gold price last year was the sell-off of the Gold ETF's, which this year witnessed a marked slackening in the pace of liquidation and even two months of

inflows, the first in sixteen. The graph below shows the number of million ounces of gold held by ETF's.

The senior and development companies attracted most attention, as the junior exploration companies battled to raise cash, but we were gratified by the performance of the likes of Cayden Resources, exploring in Mexico and up 96% over the year, and evidence that the market will always chase exciting discoveries. Further proof of that came from the Uranium and Diamond sectors, where Fission Uranium, up 102%, and Kennady Diamonds, up 237%, attracted the market's attention with some compelling early stage drill results. These were isolated successes amongst the resources exploration companies, who suffered another difficult year. Capital was still extremely scarce, valuations were austere, and failure to find was punished harshly, as Fastnet Oil and Gas, Polar Star Mining and Rockridge Capital all proved.

ETF Gold Holdings



The positive consequence of a three year bear market is that it provides the opportunity to acquire tier one assets at much more realistic prices than at the height of the bull market. Sirius Resources' Nova Nickel deposit would be a case in point, having one of the highest grade deposits which should always position the company in the lowest cost quartile of producers. The increase in the Nickel price due to the ban on the export of unprocessed ore from Indonesia also helped to push Sirius up 72% over the year.

Poor weather, a strong Kina and a weak commodity price had us bemoaning the condition of our palm oil stocks last year, and whilst the weather, yields and currencies have all taken a turn for the better, we continue to lament the current state of affairs for different reasons. Both Asian Plantations and New Britain Palm Oil find themselves in play for different reasons. New Britain as a result of last year's buyer, Kulim Berhad, turning seller having been frustrated by the Papua New Guinean Competition Commission. Kulim have nominated Sime Darby as the preferred bidder, and we wait to see if this bid will be passed by the local authority or whether there will be a competitive process. Asian Plantations, having received several approaches, put themselves into an auction process for the last six months without reaching any conclusion. We believe that these are both undervalued businesses, but such opaqueness does not help the market value them correctly.

Outlook

The Company has a mix of producing, development and exploration companies alongside the bonds which are the core of the portfolio's income generation. Equity dividends, traditionally scarce amongst growing resource companies, are largely derived from our Canadian energy companies, but we are encouraged by the number of mining companies that are increasingly pointing to dividends as a means of attracting a loyal shareholder base. Companies such as Mountain Province Diamonds, Sandfire Resources and HudBay Minerals who are all in, or just finishing, major capital projects are all openly discussing future dividend policies. This trend should, we believe, be a step on the way to restoring general investor confidence in the sector as well as enabling the Company to enhance its dividend in the future. As conviction in resources is repaired, we also look forward to a revived junior market that truly rewards exploration success, as opposed to the recent experience of a subsector shunned by investors and starved of capital.

Healthier commodity demand, which is underpinned not just by population growth, but also by urbanisation, allied to increasingly constrained supply as a result of a welcome outbreak of capital discipline, should be a constructive backdrop for resource investors over the medium term.

Will Smith

Ian Francis

New City Investment Managers

26 September 2014

Classification of Investment Portfolio by Sector 7

As at 30 June 2014	2014 % of total investments	2013 % of total investments
Oil & Gas	26.9	20.2
Gold	12.7	9.6
Palm Oil	6.9	6.8
Copper	4.0	4.7
Nickel	3.4	2.1
Uranium	3.2	8.1
Silver	2.4	1.1
Agriculture	2.3	1.6
Diamonds	2.1	1.2
Other Mining Investments	2.1	1.3
Alternative Energy	0.9	0.7
Iron Ore	0.4	0.9
Rare Earth	0.3	1.9
Platinum	0.1	0.2
Coal	–	0.7
Rubber	–	0.5
Preference Shares	9.5	8.2
Fixed Interest Securities	22.8	30.2
Total Investments	100.0	100.0

Classification of Investments by Stockmarket Quotation

As at 30 June 2014	2014 % of total investments	2013 % of total investments
Canada	38.0	32.5
UK	25.9	25.1
Australia	17.3	18.6
Europe	6.5	14.0
US	7.8	2.5
Other	–	0.6
Unquoted	4.5	6.7
Total Investments	100.0	100.0

Investment Portfolio

as at 30 June 2014

Company	Sector	Valuation £'000	Total Investments %
REA Holdings (note 1)	Palm oil	7,935	6.1
Vermilion Energy	Oil & Gas	6,484	5.0
New Britain Palm Oil	Palm oil	5,155	4.0
Sirius Resources	Nickel	4,198	3.3
Iona Energy 9.5% 27/09/2018	Oil & Gas	2,879	2.2
APA Group	Oil & Gas	2,849	2.2
ARC Resources	Oil & Gas	2,657	2.1
Surge Energy	Oil & Gas	2,550	2.0
Bonterra Energy	Oil & Gas	2,397	1.9
Antares Energy 10% 30/10/2023	Oil & Gas	2,368	1.8
Top ten investments		39,472	30.6
Ocean Rig 7.25% 01/04/2019	Oil & Gas	2,315	1.8
Fortuna Silver Mines	Silver	2,228	1.7
PHX Energy Services	Oil & Gas	2,224	1.7
Canyon Services Group	Oil & Gas	2,070	1.6
Crescent Point Energy	Oil & Gas	2,068	1.6
Plant Impact	Agriculture	2,022	1.6
Diamorph 12% 06/07/2017	Other investments	1,872	1.4
Raven Russia 12% preference shares	Property	1,825	1.4
Perseus Mining	Gold	1,779	1.4
Sandfire Resources	Copper	1,715	1.3
Top twenty investments		59,590	46.1
Fresnillo	Precious metals	1,649	1.3
Asian Plantations	Palm oil	1,630	1.3
Mountain Province Diamonds	Diamonds	1,609	1.3
National Westminster 9.0% preference shares	Finance	1,581	1.2
Bluewater Holding 10% 10/12/2019	Oil & Gas	1,560	1.2
Santander Finance 10.375% preference shares	Finance	1,440	1.1
Fission Uranium	Uranium	1,418	1.1
Great Western Minerals (note 2)	Rare Earth	1,360	1.1
WhiteCap Resources	Oil & Gas	1,352	1.0
Skipton Building Society 6.75% 30/05/2022	Finance	1,350	1.0
Top thirty investments		74,539	57.7
Baytex Energy	Oil & Gas	1,349	1.0
Eldorado Gold	Gold	1,336	1.0
Detnor FRN 9.75% 28/01/2016	Oil & Gas	1,286	1.0
Ecclesiastical Insurance 8.625% preference shares	Finance	1,245	1.0
Crown Holdings 8.6067% FRN 14/09/2072	Other investments	1,201	0.9
Kennady Diamonds	Diamonds	1,143	0.9
Central Asia Metals	Copper	1,134	0.9
Denison Mines	Uranium	1,101	0.9
Freeport-Mcmoran Copper B	Copper	1,067	0.8
Welltec 8% 01/02/2019	Oil & Gas	1,021	0.8
Top forty investments		86,422	66.9

Company	Sector	Valuation £'000	Total Investments %
Brit Insurance 6.625% 09/12/2030	Finance	1,014	0.8
Cayden Resources (note 3)	Gold	1,013	0.8
Cathedral Energy	Oil & Gas	1,013	0.8
European Gas *	Oil & Gas	1,006	0.8
Balfour Beatty 10.75% preference shares	Other investments	994	0.8
Louis Dreyfus 8.25% 29/12/2049	Various	970	0.8
Chloe Marine Demtro 12% 28/12/2016	Oil & Gas	954	0.7
APT Pipelines 8.13% FRN 30/09/2072	Oil & Gas	947	0.7
Golden Close Marit 11% 09/12/2015	Gold	930	0.7
Trafigura Beheer 7.625% 29/10/2049	Finance	926	0.7
Top fifty investments		96,189	74.5
Tizir 9% 28/09/2017	Mineral sands	897	0.7
Union Agriculture Group (Placement) *	Agriculture	880	0.7
Union Minerals Group (Physical) *	Base metals	877	0.7
Newcrest Mining	Gold	870	0.7
Regis Resources	Gold	849	0.7
Athabasca Oil Sands	Oil & Gas	839	0.6
New Gold (note 4)	Gold	815	0.6
DeeThree Exploration	Oil & Gas	810	0.6
Polarcus 8% 07/06/2018	Oil & Gas	802	0.6
Greencoat UK Wind	Alternative energy	781	0.6
Top sixty investments		104,609	81.0
Phoenix Gold	Gold	769	0.6
Bankers Petroleum	Oil & Gas	754	0.6
Kingsrose Mining	Gold	741	0.6
Romarco Minerals	Gold	707	0.5
Castle Mount Mining	Gold	676	0.5
ECR Minerals	Gold	664	0.5
First Majestic Silver	Silver	631	0.5
Golden Prospect Precious Metal (note 5) +	Gold	618	0.5
Newstrike Capital	Gold	603	0.5
Toros *	Oil & Gas	584	0.5
Top seventy investments		111,356	86.3
Ferrous Resources *	Iron Ore	582	0.5
Continental Gold	Gold	562	0.4
Aureus Mining	Gold	558	0.4
General Exploration 11.5% 13/11/2018	Gold	554	0.4
Sherritt International 8% 15/11/2018	Nickel	553	0.4
Polar Star Mining	Copper	552	0.4
Maya Gold & Silver Conv Deb 8% 28/03/2017	Gold	548	0.4
New City Energy *	Oil & Gas	540	0.4
Madalena Energy	Oil & Gas	474	0.4
Gran Colombia Gold 10% 31/10/2017 (note 6)	Gold	456	0.4
Top eighty investments		116,735	90.4
Other investments		12,451	9.6
Total investments		129,186	100.0

Top Ten Largest Holdings

	Valuation 2013 £'000	Purchases £'000	Sales £'000	Appreciation £'000	Valuation 2014 £'000
REA Holdings	7,195	34	–	706	7,935
Vermilion Energy	3,208	2,082	–	1,194	6,484
New Britain Palm Oil	5,196	–	–	(41)	5,155
Sirius Resources	2,487	–	(1,072)	2,783	4,198
Iona Energy 9.5% 27/09/2018	–	3,028	–	(149)	2,879
APA Group	–	4,556	(1,738)	31	2,849
ARC Resources	2,569	411	(422)	99	2,657
Surge Energy	–	2,594	(763)	719	2,550
Bonterra Energy	720	1,476	–	201	2,397
Antares Energy 10% 30/10/2023	2,003	446	–	(81)	2,368
	23,378	14,627	(3,995)	5,462	39,472

At 30 June 2014 these investments totalled £39,472,000 or 30.6% of the investment portfolio.

Notes to the Investment Portfolio

Note 1 - Includes REA Holdings valued at £2,178,000, REA Holdings 9% preference shares valued at £5,234,686 and REA Finance 9.5% 31/12/2017 valued at £522,500

Note 2 - Includes Great Western Minerals valued at £262,933, Great Western Minerals 8% Cv 06/04/2017 valued at £1,097,141 and warrants valued at Enil.

Note 3 - Includes Cayden Resources warrants valued at Enil.

Note 4 - Includes New Gold valued at £736,212 and warrants valued at £78,531.

Note 5 - Includes Golden Prospect Precious Metals valued at £616,689 and subscription shares valued at £839.

Note 6 - Includes Gran Columbia Gold 10% 31/10/2017 valued at £455,994 and warrants valued at £205.

* Denotes an unquoted security

+ Denotes a related party investment

FRN - Floating rate note

Introduction

This review is part of the Strategic Report being presented by the Company under updated guidelines for UK-listed Companies' Annual Reports in accordance with The Companies Act 2006, and is designed to provide information primarily about the Company's business and results for the year ended 30 June 2014. It should be read in conjunction with the Chairman's Statement on pages 3 and 4 and the Investment Manager's Review on pages 5 and 6, which give a detailed review of the investment activities for the year and look to the future.

Business Model

The business model of the Company is described below.

Investment Policy

The Company invests predominantly in mining and resource equities and mining, resource and industrial fixed interest securities (including, but not limited to, preference shares, loan stocks and corporate bonds, which may be convertible and/or redeemable). The Company may invest in companies regardless of country, sector or size and the Company's portfolio is constructed without reference to the composition of any stockmarket index or benchmark. Exposure to higher yielding securities may also be obtained by investing in other sectors, including closed-end investment companies and open-ended collective investment schemes.

The Company may, but is not obliged to, invest in derivatives, financial instruments, money market instruments and currencies for the purpose of efficient portfolio management.

The Company may acquire securities that are unquoted at the time of investment but which are about to be, or are immediately convertible at the option of the Company into securities which are, listed or traded on a stock exchange, and may continue to hold securities that cease to be quoted or listed if the Investment Manager considers this appropriate. In addition, the Company may invest up to 10 per cent of its gross assets in other securities that are unlisted or unquoted at the time of investment.

The Company will not invest more than 10 per cent in aggregate of the value of its total assets (measured at the time of investment) in other investment trusts or investment companies which are listed on the Official List except that this restriction does not apply to investments in other investment trusts or investment companies which themselves have published investment policies to invest no more than 15 per cent of their total assets in other investment trusts or investment companies which are listed on the Official List.

The Company may borrow up to 25 per cent of shareholders' funds (measured at the time of drawdown).

The Investment Manager expects that the Company will normally be fully invested. However, during periods in which changes in economic circumstances, market conditions or other factors so warrant, the Company may reduce its exposure to securities and

increase its position in cash, money market instruments and derivative instruments in order to seek protection from stockmarket falls.

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on page 2. The primary KPI against which shareholders' returns are measured is a composite benchmark weighted two-thirds to the Euromoney Global Mining Index (sterling adjusted) and one-third to the Credit Suisse High Yield Index (sterling adjusted).

Principal Risks and Uncertainties and Risk Mitigation

Risks are inherent in the investment process, but it is important that their nature and magnitude are understood so that risks, particularly those which the Company does not wish to take, can be identified and either avoided or controlled. The Board has established a detailed framework of the key risks that the business is exposed to, with associated policies and processes devised to mitigate or manage those risks. The principal risks faced by Company are set out below.

Investment and Strategy Risk – The Board is responsible for deciding the investment strategy to fulfil the Company's objectives and monitoring the performance of the Investment Manager. Inappropriate strategy, including country and sector allocation, stock selection and the use of gearing, could lead to poor returns for shareholders. To manage this risk the Board requires the Investment Manager to provide an explanation of significant stock selection decisions and the rationale for the composition of the investment portfolio at each Board meeting, when gearing levels are also reviewed. The Board monitors the spread of investments to ensure that it is adequate to minimise the risk associated with particular countries or factors specific to particular sectors. The Investment Manager also provides the Board and shareholders with monthly factsheets which include an investment commentary.

Market Risk – The Company's assets consist principally of listed equities and fixed interest securities and its greatest risks are in consequence market-related. In addition to ordinary movements in the prices of the Company's investments and the loss that the Company might suffer through holding investments in the face of negative market movements, the Company's investment strategy necessarily amplifies this risk (see Sector Risk below). The Board seeks to mitigate this risk through the processes described in the paragraph above, monitoring the implementation and results of the investment process with the Investment Manager.

Sector Risk – The largest part of the Company's assets consist of equity-related investments in companies, usually mid-and small-cap companies, with a wide range of commodity exposures. The prices of the underlying commodities are often volatile and the companies can be located in countries at risk of political instability and vulnerable to natural disasters. The liquidity in the shares of the companies is often restricted, meaning that it can be difficult to buy or sell volumes of shares at the quoted price. The Board seeks to mitigate this risk through the processes described

in the paragraph above on Investment and Strategy Risk. In addition, the closed-ended structure of the Company is an essential part of the Board's management of this risk, ensuring that parts of the portfolio do not have to be sold to raise liquidity to fund redemptions at short notice.

Financial Risk – The Company's investment activities expose it to a variety of financial risks that include market price risk, foreign currency risk, interest rate risk and liquidity and credit risk. Further details of these risks and the ways in which they are managed are disclosed in note 18 of the financial statements.

Earnings and Dividend Risk – The earnings that underpin the amount of dividends declared and future dividend growth are generated by the Company's underlying portfolio. Fluctuations in earnings resulting from changes to the underlying portfolio, currency movements, or changes in the tax treatment of the dividends or interest received by the Company could reduce the level of dividends received by shareholders. The Board monitors and manages this risk by considering detailed income forecasts prepared by the Investment Manager and Company Secretary at each Board meeting and when the quarterly dividends are declared.

Operational Risk – The Company relies upon the services provided by third parties and is reliant on the control systems of the Investment Manager and the Company's other service providers. The security and/or maintenance of, *inter alia*, the Company's assets, dealing and settlement procedures, and accounting records depend on the effective operation of these systems. These are regularly tested and monitored and are reported on at each Board meeting. An internal control report, which includes an assessment of risks, together with the procedures to mitigate such risks, is prepared by the Investment Manager and the Company Secretary and reviewed by the Audit Committee once a year. The Depositary and Custodian, HSBC Bank plc, produces an internal control report each year which is reviewed by its auditors and gives assurance regarding the effective operation of controls. This is reviewed by the Audit Committee.

Regulatory Risk – The breach of regulatory rules could lead to a suspension of the Company's stock exchange listing or financial penalties. Breach of Sections 1158 to 1159 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on chargeable gains. The Company Secretary monitors the Company's compliance with the Listing Rules of the UK Listing Authority and Sections 1158 to 1159 of the Corporation Tax Act 2010. Compliance with the principal rules is reviewed by the Directors at each Board meeting.

Going Concern

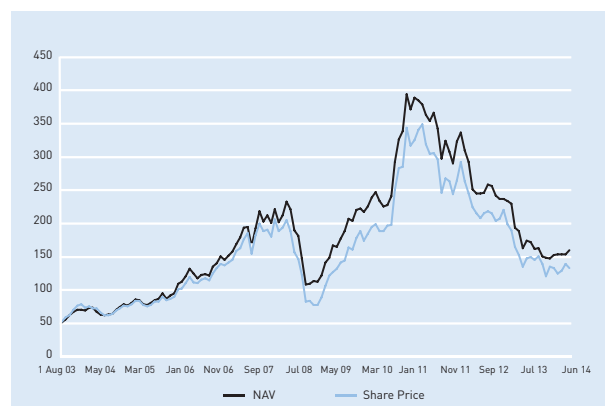
Since 2004, shareholders have been given the opportunity to vote on an ordinary resolution to continue the Company as an investment trust at each Annual General Meeting of the Company. Such a resolution has been proposed as Resolution 10 within the notice of Annual General Meeting on pages 46 and 47. If the resolution is not passed, the Board will put forward proposals to liquidate, open-end or otherwise reconstruct the Company. After making enquiries, and having considered the Company's investment objective, nature of the investment portfolio, bank facility and expenditure projections, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, and in light of the Company's strong long term investment record, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the accounts, notwithstanding that the Company is subject to an annual continuation vote as described above.

Performance Measurement and Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- Performance measured against the benchmark, relevant indices and peers**
 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 its benchmark, relevant indices and peers. (see inside front cover)
- Discount/premium to net asset value ('NAV')**
 At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV. The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange.

City Natural Resources High Yield Trust plc, NAV vs Share Price, GBP



- **Revenue earnings and dividends per share**

The Board reviews a revenue forecast on a quarterly basis to determine the quarterly dividend.

- **Ongoing charges**

The ongoing charges are a measure of the total expenses incurred by the Company expressed as a percentage of the average shareholders' funds over the year. The Board regularly reviews the ongoing charges and monitors all Company expenses.

Social, Community, Employee Responsibilities and Environmental Policy

The Directors recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

In asking the Company's Investment Manager to deliver against these objectives, they have also requested that the Investment Manager take into account the broader social, ethical and environmental issues of companies within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long term risk to the sustainability of their businesses.

More specifically, they expect companies to demonstrate ethical conduct, effective management of their stakeholder relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues.

As an investment trust with its current structure the Company has no direct social, community, employee or environmental responsibilities of its own.

The Company has no greenhouse gas emissions to report from its operations for the year ended 30 June 2014, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (including those within the underlying investment portfolio).

At 30 June 2014 there were four male Directors. The Company has no employees so does not require to report further on gender diversity.

By order of the Board
R&H Fund Services Limited
 Secretaries
 26 September 2014

Board of Directors and Investment Manager

All of the Directors are non-executive and all are considered by the Board to be independent of the Investment Manager. Mr Collins is a director of New City High Yield Fund Limited which is also managed by the Investment Manager.

The Board fulfils the function of the Audit, Nomination and Management Engagement Committees. Mr Collins is not a member of the Audit and Management Engagement Committees.

Geoffrey Douglas Charles Burns

Chairman

Age: 60

Length of service: 9 years

appointed a Director on 29 June 2005 and Chairman on 29 July 2005.

Experience:

He is a director of Barnellan Equity Advice Ltd, an emerging markets private equity advisory business. He has worked in the investment fund industry for over 30 years, including 5 years as Head of Investment Trusts at Murray Johnstone Limited. He is chairman of Premier Energy and Water Trust plc, and is on the board of several other limited companies. He is a director of the Swiss Investment Fund for Emerging Markets, and an adviser to the Asian Development Bank and several other development financial institutions.

Committee membership:

Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £25,000 per annum

All other public company directorships:

Premier Energy and Water Trust plc
PEWT Securities plc

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 90,000 ordinary shares, 20,192 CULS

Bevis Michael Leigh Coulson

Director

Age: 69

Length of service: 11 years

appointed a Director on 26 June 2003.

Experience:

He is a senior research analyst covering mining and gold shares with more than 38 years' experience. He was a senior mining analyst at Phillips & Drew from 1982 until 1986, when he joined Kitcat & Aitken's mining department as an executive director, where he remained until 1990. He was head of African research at Credit Lyonnais Laing from 1992 until 1994, when he took up the same position at Nedcor Securities until 1996. He was head of global mining research at Paribas from 1998 to 2000.

Committee membership:

Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £18,000 per annum

All other public company directorships: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 27,143 ordinary shares

Adrian John Reginald Collins

Director

Age: 60

Length of service: 19 years

appointed a Director on 14 December 1995 and was Chairman between 5 March 2004 and 31 March 2005.

Experience:

He has worked in the fund management business for over 35 years, a large part of which was at Gartmore Investment Management Limited where latterly he was managing director. He is chairman of Liontrust Asset Management plc and is also on the boards of Bahamas Petroleum Company and New City High Yield Fund Limited, and a number of other companies.

Committee membership: Nomination Committee

Remuneration: £18,000 per annum

All other public company directorships:

Liontrust Asset Management plc
Bahamas Petroleum Company plc
New City High Yield Fund Limited
Tristar Resources plc

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 50,000 ordinary shares, 22,434 CULS

Alun Grant Evans

Director

Age: 58

Length of service:

appointed a Director on 26 September 2014.

Experience:

He is a Business Development Director at Quilter Cheviot Investment Management with more than 35 years in the investment management industry. He began his career at Capel-Cure Myers moving to Carr Sheppards Crosthwaite in 1990, where he became an executive director in 1998. He joined Cheviot in 2009 with responsibility for co-ordination and development of new business.

Committee membership:

Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £18,000 per annum

All other public company directorships: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company: None

Richard Öther Prickett FCA

Director and Chairman of the Audit Committee

Age: 63

Length of service: 8 years,
appointed a Director on 30 November 2006.

Experience:

He is a Chartered Accountant and has substantial corporate experience in the mineral sector, having been chairman of Brancote Holdings until its merger with Meridian Gold in 2002. He is currently a director of Landore Resources, an AIM traded mineral exploration company. He is also the non-executive chairman of Asian Growth Properties Limited.

Committee membership:

Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £20,000 per annum

All other public company directorships:

Landore Resources Limited
Asian Growth Properties Limited

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 12,500 ordinary shares

Investment Manager

The Company appointed New City Investment Managers ("NCIM") as its Investment Manager with effect from 1 April 2005. On 1 October 2007, NCIM joined the CQS Group, a global diversified asset manager running multiple strategies with, as at 1 September 2014, US\$14.2 billion assets under management (including mandates with discretionary management, sub-investment discretionary management, investment advice, collateral management and intermediation), becoming a group company. NCIM's rights and obligations under the investment management agreement between the Company and NCIM were then novated to CQS Cayman Limited Partnership ("CQS"). Consequently, CQS became the Company's Investment Manager but, with the agreement of the Board, has delegated that function to NCIM.

Will Smith has day-to-day responsibility for managing the Company's portfolio. He is supported by Ian Francis as co-manager as well as the rest of the NCIM team. Mr Smith joined the NCIM team in 2008. He has over 30 years' investment experience and his career has included Morgan Grenfell, UBS and Panmure Gordon.

Ian Francis joined the NCIM team in 2007. He has over 35 years' investment experience, primarily in the fixed interest and convertible spheres, and his career has included Collins Stewart, West LB Panmure, James Capel and Hoare Govett.

Alternative Investment Fund Managers Directive (AIFMD)

The Board has appointed CQS as the Company's AIFM, delegating the investment management function to CQS Asset Management Limited, a subsidiary trading as NCIM. The AIFM has received its approval to act as AIFM of the Company, your Company is therefore fully compliant. An additional requirement of the AIFMD is for the Company to appoint a depositary, which will oversee the custody and cash arrangements and other AIFMD required depositary responsibilities. The Board has appointed HSBC Bank plc to act as the Company's depositary.

As part of the process the Investment Management Agreement has been updated and builds in the regulatory requirements arising as a result of the appointment of CQS as AIFM.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 30 June 2014.

Results and Dividends

Details of the Company's results and dividends paid are shown on page 2 of this Report.

Principal Activity and Status

The Company is registered as a public limited company in terms of the Companies Act 2006 (number: 02978531). It is an investment company as defined by Section 833 of the Companies Act 2006. It carries on the business of an investment trust and has been approved as such by HM Revenue & Customs.

The Company's shares are eligible for inclusion in a New Individual Savings Account (NISA).

The Company is a member of the Association of Investment Companies ('AIC').

Capital Structure

As at 30 June 2014 there were 66,872,822 ordinary shares of 25 pence each in issue. The ordinary shares give shareholders the entitlement to all of the capital growth in the Company's net assets and to all the Company's income that is resolved to be distributed after providing for payment of interest to holders of the 3.5% Convertible Unsecured Loan Stock 2018. At 30 June 2014 the Company had a bank facility of £10 million of which £nil was drawn down at the year end.

Convertible Unsecured Loan Stock 2018

On 26 September 2011 the Company issued £40,000,000 nominal of 3.5% Convertible Unsecured Loan Stock 2018 ('CULS'). As at 30 June 2013, the Company had £39,946,126 nominal of CULS in issue. On 8 October 2013, the Company issued 1,416 ordinary shares of 25 pence each in connection with the exercise of conversion rights by holders of £5,351 nominal of the Company's CULS. Following this conversion and as at 26 September 2014 £39,940,775 nominal of the Company's CULS remains in issue. Holders of CULS are entitled to receive interest at a rate of 3.5% per annum payable semi-annually on 31 March and 30 September in each year. Upon redemption, CULS holders are entitled to repayment of the principal amount and any outstanding interest. CULS may be converted into ordinary shares on 31 March and 30 September in each year; the conversion price is 377.1848 pence nominal of CULS for one ordinary share (subject to adjustment on the occurrence of certain events).

Bank Facilities

The Company has a bank facility with HSBC Bank plc. The limit of the HSBC facility is £10.0 million, of which £nil was drawn down at the year end.

The use of borrowings by the Company may increase the volatility of the net asset value per share, i.e. a movement may result in a magnified movement, either favourable or unfavourable, in the net asset value of the Company.

Substantial Interests in Share Capital

At 26 September 2014, the only persons known to the Company who, directly or indirectly, were interested in 3 per cent or more of the Company's issued share capital were as follows:

Ordinary shares	Number held	% held
Hargreaves Lansdown	4,514,756	6.8
Henderson Global Investors	3,953,242	5.9
Reliance Mutual	3,305,000	4.9
Alliance Trust Savings	3,147,559	4.7
South Yorkshire Pension Authority	3,005,000	4.5
West Yorkshire Pension Fund	2,700,000	4.0
Charles Stanley, stockbrokers	2,211,993	3.3
Investec Wealth & Investment	2,146,848	3.2
Jupiter Asset Management	2,055,000	3.1
Barclays Stockbrokers	2,018,085	3.0

Some of the shareholdings listed above refer to funds managed on behalf of clients of the groups named.

Management and Management Fees

Investment management services to the Company have been delegated to CQS Cayman Limited Partnership, which in turn has delegated the management to CQS Asset Management Limited, trading as New City Investment Managers with Will Smith and Ian Francis as the fund managers.

The Board keeps under review the appropriateness of the Investment Manager's appointment. In doing so the Management Engagement Committee considers the investment performance of the Company and the capability and resources of the Investment Manager to deliver satisfactory investment performance. It also considers the length of the notice period of the investment management contract and the fees payable to the Investment

Manager, together with the standard of the other services provided. The Directors are satisfied with the Investment Manager's ability to deliver satisfactory investment performance, and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Investment Manager on the terms agreed is in the best interest of shareholders.

The management fee payable is 0.1 per cent per month on the Company's gross assets (excluding cross-holdings) less current liabilities and any borrowings, payable in arrears. The notice period in relation to the termination of the investment management agreement is six months by either party.

The administration of the Company has been delegated to R&H Fund Services Limited ('R&H'). A summary of the contract between the Company and R&H is given in note 4 to the financial statements.

Financial Statements

The Directors' responsibilities regarding the financial statements and safeguarding of assets are set out on page 19.

Annual General Meeting

The Notice of the Annual General Meeting is contained on pages 46 to 47.

Directors' Remuneration Policy and Report

Among the resolutions being put to the Annual General Meeting as Ordinary Business, Resolution 2 is to approve the Directors' Remuneration Policy. This is a new requirement and the vote is binding. It is also mandatory for listed companies to put their Directors' Remuneration Report to an advisory shareholder vote, Resolution 3 seeks to approve the Directors' Remuneration Report.

Induction and Training

New Directors appointed to the Board are provided with an induction programme which is tailored to the particular circumstances of the appointee. Directors receive other relevant training as necessary.

Continuation Vote

As set out in the strategic review on page 12, Directors are required to propose an Ordinary Resolution at the forthcoming Annual General Meeting that the Company shall continue in being an investment trust. Accordingly, the Directors are proposing Resolution 10, which will be proposed as an Ordinary Resolution.

Directors' Authority to Allot Shares

The Directors are seeking authority to allot shares. Resolution 11 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £1,670,149, being 9.99 per cent of the total issued shares as at 26 September 2014.

Resolution 12, which is a special resolution, will, if passed, renew the Directors' existing authority to make limited allotments of shares for cash other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders up to a maximum nominal amount of £834,238 (being 4.99 per cent of the total of issued shares as at 26 September 2014). Resolution 12 also authorises the sale of treasury shares for cash without offering such shares first to all existing shareholders. These authorities will continue in effect until the conclusion of the Annual General Meeting in 2015. The Directors do not have any immediate plans to issue further ordinary shares in the Company.

Directors' Authority to Buy Back Shares

The Company did not purchase any shares for cancellation during the year.

Resolution 13, as set out in the notice of the Annual General Meeting, seeks renewal of the Company's buy-back authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of the issued ordinary shares of the Company on the date of the passing of the resolution (approximately 10.0 million ordinary shares). The price paid for the shares will not be less than the nominal value of 25p per share nor more than the higher of (i) 5 per cent above the average middle market value of those shares for the five business days before the shares are purchased and (ii) the higher of the last independent trade and the highest current bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase would result in an increase in net asset value per share and be in the interests of the shareholders as a whole. Any shares purchased under this authority will be cancelled or held in treasury. The Directors have no current intention of utilising this authority. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2015.

Notice of Meeting

Resolution 14, which is a Special Resolution, will be proposed to authorise the Directors to call general meetings of the Company (other than Annual General Meetings), on 14 clear days' notice as permitted by the Companies Act 2006 and as amended by the Companies (Shareholders' Rights) Regulations 2009. The Company will also need to meet the Companies Act 2006 requirements for electronic voting before it may call a general meeting on 14 clear days' notice. The Directors confirm that, in

the event that a general meeting is called, they will give as much notice as is practicable and will only utilise the authority granted by Resolution 14 in limited and time sensitive circumstances.

Statement Regarding Annual Report and Accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Accounts would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular.

Disclosure of Information to the Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

KPMG LLP have indicated their willingness to continue in office. The Directors will place a Resolution before the Annual General Meeting for the reappointment of KPMG LLP as independent auditors of the Company for the ensuing year, and to authorise the Directors to determine their remuneration.

Recommendation

The Directors consider the passing of the resolutions to be proposed at the Annual General Meeting to be in the best interests of the Company and its shareholders as a whole and likely to promote the success of the Company for the benefit of its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders should vote in favour of the resolutions, as they intend to do in respect of their own beneficial shareholdings amounting to 179,643 ordinary shares.

By Order of the Board

R&H Fund Services Limited
Secretary

26 September 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice ("UK GAAP")).

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 profit 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 judgments and 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations. The financial statements are published on www.ncim.co.uk which is a website maintained by the Company's Investment Manager. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- that in the opinion of the Directors, the Annual Report and Accounts taken as whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report includes 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 the Company faces.

On behalf of the Board

Geoff Burns
Chairman

26 September 2014

Statement of Corporate Governance

Introduction

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the UK Corporate Governance Code published in September 2012 (the "Governance Code"), which is available on the Financial Reporting Council's website: www.frc.org.uk. The Governance Code covers in particular the annual re-appointment of Directors, Board diversity, external evaluation, the Board's responsibilities in relation to risk, and a clear explanation of business model and strategy.

The Association of Investment Companies has also published a Code of Corporate Governance ("AIC Code") and a Corporate Governance Guide for Investment Companies ("AIC Guide") which are available on the AIC's website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Governance Code), will provide better information to shareholders.

Application of the Principles of the Codes

The Company has complied with the provisions of the AIC Code and the Governance Code, except for the Governance Code provisions relating to:

- The role of the chief executive (A 1.2)
- Executive directors' remuneration (B 2.1)
- The need for an internal audit function (C 3.5)

As indicated by the AIC Code the above exceptions are not believed to be applicable to an externally managed investment company.

The Board

The Board consists solely of non-executive Directors. Mr Burns is Chairman and is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. Given the size and composition of the Board it is not felt necessary to appoint a Senior Independent Director. All Directors are considered by the Board to be independent of the Investment Manager. Each of these Directors is independent in character and judgement and, Mr Collins' directorship of New City High Yield Fund Limited notwithstanding, there are no relationships, or circumstances which the Board considers likely to affect the judgement of the independent Directors. Mr Collins is not regarded as independent by the AIC Code. New Directors receive an induction from the Company Secretary on joining the Board, and all Directors receive other relevant training as necessary.

The Board takes the view that independence is not compromised by length of tenure and that experience and continuity can add significantly to the Board's strength.

During the year ended 30 June 2014 the Board met 5 times. In addition, there were 2 Audit Committee meetings, 1 Management Engagement Committee meeting, 2 Nomination Committee meetings and 4 other ad hoc Committee meetings (to approve dividends and the Half Yearly and Annual Reports). Between meetings the Board maintains regular contact with the Investment Manager.

Directors have attended Board and Committee meetings during the year ended 30 June 2014 as follows (with their eligibility to attend the relevant meeting in brackets):

	Board meetings	Nomination Committee meetings	Management Engagement Committee meetings	Audit Committee meetings
G D C Burns				
(Chairman)	5 (5)	2 (2)	1 (1)	2 (2)
A J R Collins	5 (5)	2 (2)	0 (0)	0 (0)
B M L Coulson	5 (5)	2 (2)	1 (1)	2 (2)
R O Prickett	5 (5)	2 (2)	1 (1)	2 (2)
A D Cooke	2 (3)	1 (1)	1 (1)	1 (1)

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of the Investment Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board has put in place necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole, the individual Directors and the Board Committees. This was conducted through a forum based assessment process. The Chairman regularly reviews and agrees with each Director their training and development needs.

The Board has reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company.

The Directors have reviewed the proposed re-election of each of the Directors and are of the opinion that each of the Directors brings a significant range of business, financial and management skills and experience to the Company and the Board supports their re-election. The annual evaluation of the Board and the Directors has been completed and the Directors have concluded that the Board continues to function effectively and individually.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the

advice and services of the Company Secretary, R & H Fund Services Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Management Engagement Committee

A separate Management Engagement Committee, which is chaired by Mr Burns and comprises the full Board, excluding Mr Collins, has been established. The Management Engagement Committee annually reviews matters concerning the management contract which exists between the Company and the Investment Manager. Details of the Management Agreement are shown in note 3 to the financial statements.

Nomination Committee

Appointments to the Board of Directors are considered by the Nominations Committee which is chaired by Mr Burns and comprises the full Board. Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. The Terms of Reference of the Nomination Committee are available on request. External search consultants may be used to assist in the appointment of new Directors should it be considered expedient. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. In 2011, the Board decided that all Directors would retire annually and, if appropriate, seek re-election.

As part of this process the Board concluded a new Director with complimentary skills should be recruited. As a result Mr Evans was appointed on the 26 September 2014.

Stewardship Code

The Financial Reporting Council ("FRC") published "The UK Stewardship Code" ("Code") for institutional shareholders on 2 July 2010. The purpose of the Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The FRC is encouraging institutional investors to make a statement of their commitment to the Code.

The Board has delegated responsibility for actively monitoring the activities of investee companies to the Investment Manager. The Investment Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company

meetings. The Investment Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights.

The Investment Manager's policy is to assess each voting opportunity individually and to vote only in cases where it is believed that the Company's best interests need to be protected. The Board has reviewed, and endorses, the Investment Manager's Statement of Compliance with the Code, which appears on the Investment Manager's website, at www.ncim.co.uk

The Board will also receive from the Manager regular reports on the exercise by the Investment Manager of the Company's voting rights.

Exercise of Voting Powers

The Investment Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights in respect of investee companies. The underlying aim of exercising such voting rights is to protect the return from an investment.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Accounts are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's website. The Company responds to letters from shareholders on a wide range of issues.

A regular dialogue is maintained with the Company's institutional shareholders and with private client asset managers. Reference to significant holdings in the Company's ordinary shares can be found under "Substantial Interests" on page 16.

The Notice of the Annual General Meeting included within the Annual Report and Accounts is sent out 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Manager, either formally at the Company's Annual General Meeting or at the subsequent buffet luncheon for shareholders. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

By Order of the Board

R&H Fund Services Limited
Secretaries

26 September 2014

Report of the Audit Committee

Composition of the Audit Committee

- An Audit Committee has been established with written terms of reference and comprises three non-executive Directors, Mr R Ö Prickett (Chairman), Mr B M L Coulson and Mr G D C Burns. The Audit Committee members have recent and relevant financial experience. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis and are disclosed on the Company's website. Further copies are available on request.

Role of the Audit Committee

A summary of the Committee's main audit review functions is shown below:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager and Administrators;
- to meet with the external Auditor, KPMG LLP ("KPMG") to review their proposed audit programme of work and their findings. The Board shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services;
- to review an annual statement from the Investment Manager and Administrator detailing the arrangements in place whereby the staff of the Investment Manager and of the Administrator may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor; and,
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

Annual Report and Financial Statements

The Board of Directors are responsible for preparing the Annual Report and financial statements. The Audit Committee advises the Board on the form and content of the Annual Report and financial statements, any issues which may arise and any specific areas which require judgement.

Auditor

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved KPMG's plan for the audit of the financial statements for the year ended 30 June 2014. At the conclusion of the audit KPMG did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. KPMG issued an unqualified audit report which is included on pages 26 and 27.

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. KPMG provided tax services for the Company during the year. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

As part of the review of auditor independence and effectiveness, KPMG has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating KPMG, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Investment Manager and Administrator, remains satisfied that KPMG continues to provide effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the audit partner rotates after five years. The current audit partner is in the third year of her appointment. On the basis of this assessment, the Audit Committee has recommended the continuing appointment of KPMG to the Board. KPMG's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

Following a discussion with the Auditor and the Investment Manager, the Audit Committee considers the main risk to arise from the audit to be the valuation and ownership of quoted investments held by the Company.

In order to address this the Company has appointed an Investment Manager and Custodian with clearly defined contracts and any breaches of these, or any law or regulation that the Company is required to comply with, are reported to the Board. The Company also receives regular reporting on internal controls (as set out below).

As part of the annual audit, the Auditor has agreed the valuation of all of the quoted investments in the portfolio to independent pricing providers and validated the existence of all the securities held by the Company to the records of the Custodian. The Auditor also highlighted the accounting and treatment of the CULS and income recognition as other areas of focus considered within the audit. The Auditor has reviewed these and has not reported any exceptions.

Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication of the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code" (the "FRC guidance") the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and is regularly reviewed by the Board and accords with the FRC Guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows:

- financial;
- operational; and
- compliance.

The key components designed to provide effective internal control are outlined below:

- R&H Fund Services Limited ("R&H") as Company Secretary and Administrator and R&H together with the Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Investment Manager as appropriate;

- as a matter of course the Investment Manager's compliance department continually reviews the Investment Manager's operations and reports to the Board on a quarterly basis;
- written agreements are in place which specifically define the roles and responsibilities of the Investment Manager, Administrator and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Investment Manager and the Administrator, has decided to place reliance on the Investment Manager's and the Administrator's systems and internal audit procedures.

At its September meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 30 June 2014 by considering documentation from the Investment Manager and the Administrator, including the internal audit and compliance functions and taking account of events since 30 June 2014. The results of the assessment were then reported to the Board at the next Board meeting.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

The principal risks and uncertainties affecting the Company are disclosed on pages 11 and 12.

Richard Prickett FCA

Chairman of Audit Committee

26 September 2014

Directors' Remuneration Report

Remuneration Committee

Under the UK Listing Rules, where an investment company has only non-executive directors, the Governance Code principles relating to directors' remuneration do not apply. The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is shown below.

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this Report will be put to the members at the forthcoming Annual General Meeting. As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the whole Board. This Report has been divided into separate sections for unaudited and audited information.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant investment trusts that are similar in size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee properly the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ending 30 June 2015 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £125,000 per annum in aggregate and the approval of shareholders in a general meeting would be required to change this limit. At the prevailing level of Directors' fees the aggregate amount paid to the Company's Directors during the year to 30 June 2014 was £90,000. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment.

The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual

General Meeting after their appointment. Directors are obliged to retire by rotation, and to offer themselves for re-election by shareholders at least every three years after that. Any Director who has served on the Board for more than nine years will offer himself for re-election annually. However, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. The requirements for the retirement of Directors are also contained in the Company's Articles of Association. There is no notice period and no provision for compensation upon early termination of appointment.

Director	Date of Appointment	Due date for Re-election
G D C Burns	29 June 2005	AGM 2014
A J R Collins	14 December 1995	AGM 2014
B M L Coulson	26 June 2003	AGM 2014
R Ö Prickett	30 November 2006	AGM 2014

Annual Report on Directors' Remuneration

Directors' Emoluments (audited)

The Directors who served in the year received the following fees:

	2014 £'000	2013 £'000
G D C Burns*	25	25
A J R Collins†	18	18
B M L Coulson	18	18
R Ö Prickett**††	20	20
A D Cooke***	9	18
Totals	90	99

The amounts paid by the Company to the Directors were for services as non-executive Directors.

* Chairman.

** Chairman of the Audit Committee.

*** Mr Cooke retired from the Board as at 31 December 2013.

† Fees paid to Fincorp International Ltd.

†† Fees paid to European Sales Company Ltd.

Relative Importance of Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Directors' Interests

Biographies of the Directors are shown on pages 14 and 15.

The beneficial and non-beneficial interests of the Directors who held office during the year in the shares of the Company as at 30 June 2014 were:

	Ordinary shares		CULS	
	2014	2013	2014	2013
G D C Burns	90,000	90,000	20,192	20,192
A J R Collins	50,000	50,000	22,434	22,434
B M L Coulson	27,143	27,143	-	-
R Ö Prickett	12,500	12,500	-	-

There has been no change in the ordinary share or CULS holdings of the Directors between 30 June 2014 and 26 September 2014.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Directors' Report on page 16. The graph on the inside front cover compares the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which a composite index, weighted as to two-thirds Euromoney Global Mining Index (sterling adjusted) and one-third Credit Suisse High Yield Index (sterling adjusted), is calculated. This composite index was chosen as it represents a comparable mix of mining and resource equities and fixed interest securities.

Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 18 December 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 June 2013. 99.6% of votes were in favour of the resolution and 0.3% were against and 0.1% of votes were withheld.

An ordinary resolution for the approval of this Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming Annual General Meeting.

An ordinary resolution for the approval of the Directors' Remuneration Policy will be put to a binding shareholder vote at the forthcoming Annual General Meeting.

Approval

The Directors' Remuneration Report on pages 24 and 25 was approved by the Board of Directors and signed on its behalf on 26 September 2014.

Geoff Burns
Chairman

Independent Auditor's Report to the Members of City Natural Resources High Yield Trust plc

Opinions and Conclusions Arising From Our Audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of City Natural Resources High Yield Trust plc for the year ended 30 June 2014 set out on pages 28 to 44.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Carrying amount of quoted investments

Refer to pages 22 and 23 (Report of the Audit Committee), pages 31 to 33 (accounting policy) and pages 36 to 37 (financial disclosures).

The risk: The Company's quoted equity investment portfolio makes up 86% of total assets (by value) and is considered to be the key driver of the Company's capital and revenue performance. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement, because they comprise quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our response: Our procedures over the completeness, valuation and existence of the Company's quoted equity investment portfolio included, but were not limited to:

- documenting the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of 100% of portfolio investments to externally quoted prices; and
- agreeing 100% of portfolio investment holdings to independently received third party confirmations.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £1,500,000. This has been determined with reference to a benchmark of total assets (of which it represents 1%). Total assets, which is primarily composed of the Company's investment portfolio, is considered the key driver of the Company's capital and revenue performance and, as such, we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Company.

In addition, we applied a materiality of £150,000 to income from investments for which we believe misstatements of lesser amounts than materiality as a whole could be reasonably expected to influence the economic decisions of the members of the company taken on the basis of the financial statements.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £75,000 in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the offices of the administrator R&H Fund Services Limited and the Edinburgh KPMG office.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Statement of Corporate Governance Statement set out on pages 20 to 21 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the Report of the Audit Committee on pages 22 and 23 does not appropriately address matters communicated by us to the Audit Committee.

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 12, in relation to going concern; and
- the part of the Statement of Corporate Governance on pages 20 and 21 relating to the Company's compliance with the nine provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of the Audit of the Financial Statements

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Catherine Burnet

Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Edinburgh

26 September 2014

Income Statement

	Notes	Year ended 30 June 2014			Year ended 30 June 2013		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	–	202	202	–	(53,075)	(53,075)
Exchange gains/(losses)		–	71	71	–	(95)	(95)
Income	2	5,399	–	5,399	6,415	–	6,415
Investment management fee	3	(318)	(955)	(1,273)	(459)	(1,377)	(1,836)
Other expenses	4	(485)	–	(485)	(509)	–	(509)
Net return before finance costs and taxation		4,596	(682)	3,914	5,447	(54,547)	(49,100)
Interest payable and similar charges	5	(393)	(1,872)	(2,265)	(363)	(1,865)	(2,228)
Net return on ordinary activities before taxation		4,203	(2,554)	1,649	5,084	(56,412)	(51,328)
Tax on ordinary activities	6	(560)	420	(140)	(844)	723	(121)
Net return attributable to equity shareholders		3,643	(2,134)	1,509	4,240	(55,689)	(51,449)
Return per ordinary share	8	5.45p	(3.19)p	2.26p	6.34p	(83.28)p	(76.94)p

The 'total' column of this statement represents the Company's profit and loss account, prepared in accordance with UK GAAP.

All revenue and capital items in this statement derive from continuing operations. All of the profit/(loss) for the year is attributable to the owners of the Company

No operations were acquired or discontinued in the year.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above Income Statement.

The accompanying notes are an integral part of the financial statements.

Reconciliation of Movement in Shareholders' Funds

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Opening equity shareholders' funds	109,094	163,946
Gains/(losses) on investments	202	(53,075)
Net return attributable to ordinary shareholders	3,643	4,240
Costs charged to capital	(2,407)	(2,519)
Exchange gains/(losses)	71	(95)
Dividends paid	(3,678)	(3,410)
Issue of ordinary shares	4	7
Closing equity shareholders' funds	106,929	109,094

Balance Sheet

	Notes	As at 30 June 2014 £'000	As at 30 June 2013 £'000
Fixed assets			
Investments	9	129,186	131,736
Current assets			
Debtors	10	1,217	3,119
Cash at bank and on deposit		14,539	10,895
		15,756	14,014
Creditors: amounts falling due within one year	11	(1,554)	(1,013)
Net current assets		14,202	13,001
3.5% Convertible Unsecured Loan Stock 2018	12	(36,459)	(35,643)
Net assets		106,929	109,094
Capital and reserves			
Called-up share capital	13	16,718	16,718
Special distributable reserve	14	30,386	30,386
Share premium	14	4,796	4,791
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	12/14	2,973	3,698
Capital reserve	14	45,757	47,167
Revenue reserve	14	6,299	6,334
Equity shareholders' funds		106,929	109,094
Net asset value per share	15	159.90p	163.14p

The financial statements on pages 28 to 44 were approved by the Board of Directors and authorised for issue on 26 September 2014 and were signed on its behalf by:

Geoff Burns

Chairman

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

	Notes	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Operating activities			
Investment income received		5,474	6,423
Deposit interest received		4	2
Other income received		35	17
Investment management fees paid		(1,274)	(1,889)
Other cash payments		(463)	(499)
Net cash inflow from operating activities	16	3,776	4,054
Servicing of finance			
Interest on bank facility/overdraft		(42)	(14)
Interest on 3.5% Convertible Unsecured Loan Stock 2018		(1,398)	(1,399)
Net cash outflow from servicing of finance		(1,440)	(1,413)
Taxation			
Tax refund		30	–
Capital expenditure and financial investment			
Purchases of investments		(64,077)	(76,943)
Disposals of investments		68,962	74,432
Net cash inflow/(outflow) from capital expenditure and financial investment		4,885	(2,511)
Dividends			
Equity dividends paid		(3,678)	(3,410)
Net cash inflow/(outflow) before financing		3,573	(3,280)
Financing			
Issue expenses on ordinary shares		–	(7)
Net cash outflow from financing		–	(7)
Increase/(decrease) in net cash	17	3,573	(3,287)
Reconciliation of net cash flow to movement in net cash/(debt)			
Increase/(decrease) in cash in the year	17	3,573	(3,287)
Exchange gains/(losses)	17	71	(95)
Movement in net cash/(debt) in the year		3,644	(3,382)
Opening net cash at 1 July		10,895	14,277
Closing net cash at 30 June	17	14,539	10,895

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

for the year to 30 June 2014

31

1 Accounting Policies

A summary of the principal accounting policies adopted is set out below.

(a) Basis of Accounting

These financial statements are prepared on the going concern basis under the historic cost convention, modified to include the revaluation of fixed asset investments.

The financial statements have been prepared under UK Generally Accepted Accounting Practice ("UK GAAP") and in accordance with the Statement of Recommended Practice ("SORP"), revised January 2009, for Investment Trust Companies and Venture Capital Trusts and issued by the Association of Investment Companies ("AIC").

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in Chapter 4 of Part 24 of the Corporation Tax Act 2010 (previously Section 842 of the Income and Corporation Taxes Act 1988).

The notes and financial statements are presented in pounds sterling and are rounded to the nearest thousand except where otherwise indicated.

Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates. The most significant judgement is the valuation of unlisted investments which is described in note 1(b) below.

(b) Fixed asset investments

Purchases or sales of investments are recognised/derecognised on the date the Company commits to purchase/sell the investments. Investments are classified at fair value through profit and loss on initial recognition with any resultant gain or loss recognised in the Income Statement. Listed securities are valued at bid price or last traded price, depending on the convention of the exchange on which the investment is listed, adjusted for accrued income where it is reflected in the market price. Investments which are not listed or where trading in the securities of an investee company is suspended are valued at the Board's best estimate of fair value. Unlisted investments are valued by the Directors on the basis of all the information available to them at the time of valuation. This includes a review of: the financial and trading information of the Company, covenant compliance, ability to repay the interest and cash balances. For convertible bonds this includes consideration of the discounted cash flows of the interest and principal and underlying equity value, based on the information provided by the Investment Manager. Where no reliable fair value can be estimated, investments may be carried at cost less any provision for impairment.

Realised gains or losses on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve. Gains and losses arising from changes in the fair value of investments are included in the Income Statement as a capital item.

(c) Income

Dividends receivable on equity shares are recognised as income on the date that the related investments are marked ex-dividend. Dividends receivable on equity shares where no ex-dividend date is quoted are recognised as income when the Company's right to receive payment is established.

Fixed returns on non-equity shares are recognised on a time apportioned basis so as, if material, to reflect the effective interest rate on those instruments. Other returns on non-equity shares are recognised when the right to the return is established. The fixed return on a debt security is recognised on a time apportioned basis so as to reflect the effective interest rate on each such security.

Income from deposit interest and underwriting commission is recognised on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

(d) Taxation

The charge for taxation is based on net revenue for the year. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of underlying timing differences can be deducted.

Because the Company intends each year to qualify as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010 (previously S842 of the Income and Corporation Taxes Act 1988), no provision is made for deferred taxation in respect of the capital gains that have been realised, or are expected in the future to be realised, on the sale of fixed asset investments.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Income Statement as a revenue item except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- the Company charges 75 per cent of investment management fees to capital, in line with the Board's expected long term return in the form of capital gains and income respectively from the investment portfolio of the Company. For further details refer to note 3.
- expenses connected with the maintenance or enhancement of the value of the investments.

(f) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction. Overseas assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in capital reserves. The financial currency of the Company, being its statutory reporting currency, is sterling.

(g) Finance costs

Finance costs are accounted for on an accruals basis. Finance costs of debt, insofar as they relate to the financing of the Company's investments or to financing activities aimed at maintaining or enhancing the value of the Company's investments, are allocated between revenue and capital in accordance with the Board's expected long-term split of returns, in the form of income and capital gains respectively, from the Company's investment portfolio. For further details refer to note 5.

(h) 3.5% Convertible Unsecured Loan Stock 2018

3.5% Convertible Unsecured Loan Stock 2018 issued by the Company is regarded as a compound instrument, comprising of a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated by assuming that an equivalent non-convertible obligation of the Company would have a coupon rate of 5.75%. The fair value of the equity component, representing the option to convert liability into equity, is derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The initial accounting treatment of the CULS resulted in an initial uplift. The liability component is subsequently measured at amortised cost using the effective cost interest rate.

Direct expenses associated with the CULS issue are allocated to the liability and equity components in proportion to the split of the proceeds of the issue. Expenses allocated to the liability component are amortised over the life of the instrument.

The interest expense on the CULS is calculated according to the effective interest rate method by applying the assumed rate of 5.75% at initial recognition to the liability component of the instrument. The difference between this amount and the actual interest paid is added to the carrying amount of the CULS.

While this additional 'notional' interest is charged to the capital account it is not considered to be a true loss and so this is transferred against the CULS equity as a reserve movement.

(i) Reserves

(a) Share premium – the surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non-distributable.

(b) Capital reserve – The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised and unrealised exchange differences on transactions of a capital nature;
- capitalised expenses and finance costs, together with the related taxation effect; and
- increases and decreases in the valuation of investments held.

(c) Special reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid at launch. Available as distributable profits.

(d) Revenue reserve – the net profit/(loss) arising in the revenue column of the Income Statement is added to or deducted from this reserve. Available for paying dividends.

2 Income

	2014 £'000	2013 £'000
Income from investments*		
UK dividend income	146	75
UK unfranked investment income	752	892
Preference share income	482	506
Overseas dividend income	1,420	1,262
Overseas interest	2,559	3,661
	5,359	6,396
Other income†		
Deposit interest	4	2
Other income	36	17
	40	19
Total income	5,399	6,415
Total income comprises:		
Dividends	2,048	1,843
Fixed interest securities	3,311	4,553
Deposit interest	4	2
Other income	36	17
	5,399	6,415

*All investment income arises on investments valued at fair value through Profit or Loss on initial recognition.

†Other income on financial assets not valued at fair value through Profit or Loss on initial recognition.

3 Investment Management Fee

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Investment management fee	318	955	1,273	459	1,377	1,836

The Company's Investment Manager is CQS which in turn has delegated this function to NCIM. The contract between the Company and CQS may be terminated by either party giving not less than six months' notice of termination.

CQS receive a monthly fee at the rate of 0.1 per cent of the Company's gross assets (excluding cross-holdings) less current liabilities and any borrowings, payable in arrears.

The balance due to CQS for management fees at the year end was £107,000 (2013: £108,000).

Investment management fees have been allocated 75 per cent to capital and 25 per cent to revenue.

4 Other Expenses (including irrecoverable VAT)

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Secretarial and administration fees	88	–	88	111	–	111
Directors' fees	90	–	90	99	–	99
Auditor remuneration for:						
– statutory audit	23	–	23	22	–	22
– other services relating to taxation	9	–	9	11	–	11
Other	275	–	275	266	–	266
	485	–	485	509	–	509

The Company has an agreement with R&H Fund Services Limited for the provision of secretarial and administration services. During the year the total fees paid and payable were £88,000 (2013: £111,000). The balance due to R&H for secretarial services at the year end was £Nil (2013: £Nil).

No pension contributions were payable in respect of any of the Directors.

The Company does not have any employees.

5 Interest Payable and Similar Charges

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Interest on 3.5% Convertible Unsecured Loan Stock 2018	351	1,051	1,402	348	1,044	1,392
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	–	724	724	–	724	724
Amortisation of issue expenses	–	97	97	–	97	97
Bank overdraft	42	–	42	15	–	15
	393	1,872	2,265	363	1,865	2,228

Interest payable on the CULS has been allocated 75 per cent to capital and 25 per cent to revenue.

6 Tax on Ordinary Activities

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Corporation tax	420	(420)	–	723	(723)	–
Corporation tax refund	(30)	–	(30)	–	–	–
Overseas taxation	170	–	170	121	–	121
Total tax charge/(credit)	560	(420)	140	844	(723)	121

Reconciliation of Tax Charge

A reconciliation of the current tax charge is set out below:

	2014 Total £'000	2013 Total £'000
Return on ordinary activities before taxation	1,649	(51,328)
Corporation tax at standard rate (22.50%)	371	(12,190)
Effects of:		
Non taxable income	(526)	(485)
Non taxable (gains)/losses	(46)	12,605
Overseas withholding tax	171	121
Excess management expenses	216	47
Non deductible exchange (gains)/losses	(16)	23
Corporation tax refund	(30)	–
Current year tax charge	140	121

Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

At 30 June 2014 the Company had surplus management expenses of £997,000 (2013: £781,000) which have not been recognised as a deferred tax asset.

7 Dividends

	2014 Revenue £'000	2013 Revenue £'000
Amounts recognised as distributions to equity holders in the year:		
– Fourth interim dividend for the year ended 30 June 2013 of 2.92p (2012 – 2.52p) per ordinary share	1,953	1,685
– First interim dividend for the year ended 30 June 2014 of 0.86p (2013 – 0.86p) per ordinary share	575	575
– Second interim dividend for the year ended 30 June 2014 of 0.86p (2013 – 0.86p) per ordinary share	575	575
– Third interim dividend for the year ended 30 June 2014 of 0.86p (2013 – 0.86p) per ordinary share	575	575
	3,678	3,410
Amounts relating to the year but not paid at the year end:		
– Fourth interim dividend for the year ended 30 June 2014 of 3.02p (2013 – 2.92p) per ordinary share	2,020	1,953

In accordance with UK GAAP the fourth interim dividend has not been included as a liability in these accounts and will be recognised in the period in which it is paid.

8 Return per Ordinary Share

	2014 Revenue pence	2014 Capital pence	2014 Total pence	2013 Revenue pence	2013 Capital pence	2013 Total pence
Ordinary share	5.45p	(3.19)p	2.26p	6.34p	(83.28)p	(76.94)p

The revenue return per ordinary share is based on a net profit after taxation of £3,643,000 (2013: £4,240,000) and on a weighted average of 66,872,434 ordinary shares in issue during the year (2013: 66,869,778).

The capital return per ordinary share is based on a net capital loss of £2,134,000 (2013: a net capital loss of £55,689,000) and on a weighted average of 66,872,434 ordinary shares in issue during the year (2013: 66,869,778).

9 Investments

	2014 £'000	2013 £'000
Investments listed/quoted on a recognised investment exchange	123,409	122,868
Unquoted investments	5,777	8,868
	129,186	131,736
Equity shares	85,533	78,380
Placings	1,756	2,702
Preference shares	12,321	10,870
Fixed income securities	27,642	34,946
Convertible securities	1,934	4,838
	129,186	131,736

The Company does not intend to acquire securities that are unquoted or unlisted at the time of investment with the exception of securities which, at the time of acquisition, are intending to list on a stock exchange or securities which are convertible into quoted securities. However, the Company may continue to hold securities that cease to be quoted or listed if the Investment Manager considers this to be appropriate.

All investments are designated fair value through profit or loss at initial recognition, therefore all gains and losses arise on investments designated at fair value through profit or loss.

Financial Reporting Standard 29 'Financial Instruments: Disclosures' (the Standard) requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value. The level is determined by the lowest (that is the least reliable or independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

- Level 1 – investments quoted in an active market;
- Level 2 – investments whose fair value is based directly on observable current market prices or indirectly being derived from market prices;
- Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or based on observable market data.

	Level 1 Listed in UK £'000	Level 1 Listed overseas £'000	Level 3 £'000	2014 Total £'000	2013 Total £'000
Opening book cost	34,103	140,807	18,978	193,888	209,515
Opening fair value adjustment	(1,092)	(50,950)	(10,110)	(62,152)	(25,651)
Opening valuation	33,011	89,857	8,868	131,736	183,864
Purchases at cost	6,609	55,552	2,427	64,588	74,605
Conversions/transfers	2,097	946	(3,043)	–	–
Sales – proceeds	(7,595)	(59,745)	–	(67,340)	(73,658)
– realised losses	(2,115)	(25,441)	(1,249)	(28,805)	(16,574)
Increase/(decrease) in fair value adjustment	1,487	28,746	(1,226)	29,007	(36,501)
Closing valuation	33,494	89,915	5,777	129,186	131,736
Closing book cost	33,099	112,119	17,113	162,331	193,888
Closing fair value adjustment	395	(22,204)	(11,336)	(33,145)	(62,152)
Closing valuation	33,494	89,915	5,777	129,186	131,736

The gains and losses included in the above table have all been recognised within (losses)/gains on investments in the Income Statement on page 28. The Directors believe that the use of reasonable possible alternative assumptions for its Level 3 holdings would not result in a valuation significantly different from the valuation included in these financial statements.

	2014 £'000	2013 £'000
Gains/(losses) on investments		
Realised losses on sale	(28,805)	(16,574)
Movement in fair value	29,007	(36,501)
Gains/(losses) on investments	202	(53,075)

During the year the Company incurred transaction costs on the purchases of £114,867 (2013: £110,395) and transaction costs on sales of £127,513 (2013: £138,898).

10 Debtors

	2014 £'000	2013 £'000
Amounts due from brokers	171	1,793
Prepayments and accrued income	1,035	1,317
VAT recoverable	11	9
	1,217	3,119

11 Creditors: Amounts Falling Due Within One Year

	2014 £'000	2013 £'000
Amounts due to brokers	839	328
Corporation tax	163	163
Other creditors	203	177
Interest on 3.5% Convertible Unsecured Loan Stock 2018	349	345
	1,554	1,013

Included within other creditors is £107,000 (2013: £108,000) due to CQS in respect of management fees.

12 3.5% Convertible Unsecured Loan Stock 2018

	Nominal number of CULS £'000	Liability component £'000	Equity component £'000
Balance at the beginning of the year	39,946	35,643	3,698
Amortisation of discount on issue and issue expenses	-	96	-
Transfer of CULS liability discount amortisation	-	724	(724)
Conversion during the year	(5)	(4)	(1)
Balance at the end of the year	39,941	36,459	2,973

On 26 September 2011, the Company issued a total of £40,000,000 nominal of 3.5% Convertible Unsecured Loan Stock 2018. The CULS can be converted at the election of holders into ordinary shares during the months of March and September in each year throughout their life, commencing March 2012 to September 2018 at a rate of 1 ordinary share for every 377.1848p nominal of CULS. On 8 October 2013, the Company issued 1,416 ordinary shares in connection with the exercise of £5,351 nominal of the Company's CULS. Once 80% of the nominal amount of the CULS issued have been converted, the Company is allowed to request that holders redeem or convert the remainder. Interest is paid on the CULS on 31 March and 30 September in each year. 25% of the interest is charged to revenue in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

As at 30 June 2014, there was £39,940,775 nominal of CULS in issue.

13 Share Capital

	2014 Shares	2014 £'000
Authorised at 30 June		
Ordinary shares of 25p each	100,000,000	25,000
Allotted, called up and fully-paid		
Total issued ordinary shares of 25p each as at 1 July 2013	66,871,406	16,718
Issue of 1,416 ordinary shares on conversion of 3.5% Convertible Unsecured Loan Stock 2018 on 8 October 2013	1,416	–
Total issued ordinary shares of 25p each as at 30 June 2014	66,872,822	16,718

On 8 October 2013, the Company issued 1,416 ordinary shares in connection with the exercise of £5,351 nominal of the Company's CULS.

Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board normally seeks to limit gearing to 25% of net assets.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Investment Manager's views on the market, and the extent to which revenue in excess of that which is required to be distributed should be retained. The Company has no externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy detailed in the Strategic Review on page 11.

14 Reserves

	Special reserve £'000	Share premium £'000	Equity element of CULS £'000	Capital reserve £'000	Revenue reserve £'000
At 30 June 2013	30,386	4,791	3,698	47,167	6,334
Exchange gains	–	–	–	71	–
Gains on investments	–	–	–	202	–
Management fees charged to capital	–	–	–	(955)	–
Finance costs charged to capital	–	–	–	(1,872)	–
Taxation credited to capital	–	–	–	420	–
Dividends paid	–	–	–	–	(3,678)
Retained net revenue for the year	–	–	–	–	3,643
Transfer of CULS liability discount amortisation	–	–	(724)	724	–
Issue of ordinary shares	–	5	(1)	–	–
At 30 June 2014	30,386	4,796	2,973	45,757	6,299

The special reserve is available for the buying back of shares. £6,299,000 is available for distribution as a dividend as represented in the revenue reserve.

15 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £106.9 million (2013: £109.1 million) and on 66,872,822 (2013: 66,871,406) ordinary shares, being the number of ordinary shares in issue at the year end.

16 Reconciliation of Net Return before Finance Costs and Taxation, to Net Cash Inflow from Operating Activities

	2014 £'000	2013 £'000
Net return before finance costs and taxation	3,914	(49,100)
(Gains)/losses on investments	(202)	53,075
Withholding tax suffered	(171)	(121)
Decrease in accrued income	285	148
(Increase)/decrease in other debtors	(5)	21
Increase/(decrease) in other creditors	26	(64)
Exchange (gains)/losses	(71)	95
Net cash inflow from operating activities	3,776	4,054

17 Analysis of Changes in Net Cash

	At 30 June 2013 £'000	Cash flow £'000	Currency movements £'000	At 30 June 2014 £'000
Cash at bank and in hand	10,895	3,573	71	14,539
Total	10,895	3,573	71	14,539

18 Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank facilities and debtors and creditors that arise directly from its operations. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company can make use of flexible borrowings for short term purposes, as detailed in note 11 and the Chairman's Statement, to achieve improved performance in rising markets and to seek to enhance the returns to shareholders, when considered appropriate by the Investment Manager. The downside risk of borrowings may be reduced by raising the level of cash balances held.

Listed fixed asset investments held (see note 9) are valued at fair value. For listed securities this is either bid price or the last traded price depending on the convention of the exchange on which the investment is listed. Unlisted investments are valued by the Directors on the basis of all the information available to them at the time of valuation. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown on page 29. The fair value of the bank facility and the fair value of the 3.5% Convertible Unsecured Loan Stock 2018 are not materially different from their carrying value in the Balance Sheet.

The main risks that the Company faces arising from its financial instruments are:

- (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;
- (ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;
- (iii) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales and income will fluctuate because of movements in currency rates;
- (iv) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and
- (v) liquidity risk, being the risk that the bank may demand re-payment of the loan or that the Company may not be able to liquidate quickly its investments.

The Company held the following categories of financial instruments as at 30 June 2014:

	2014 £'000	2013 £'000
Financial instruments		
Investment portfolio	129,186	131,736
Cash at bank and on deposit	14,539	10,895
Amounts due from brokers	171	1,793
Accrued income	1,016	1,301
Other debtors	30	25
Financial liabilities		
3.5% Convertible Unsecured Loan Stock 2018	36,459	35,643
Amounts due to brokers	839	328
CULS interest due	349	345
Other creditors	366	340

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held.

It represents the potential loss the Company might suffer through holding market positions in the face of price movements. To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. An appropriate spread of investments is held in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a country or sector. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

Investment and portfolio performance are discussed in more detail in the Investment Manager's Review and further information on the investment portfolio is set out on pages 8 and 9.

If the investment portfolio valuation fell by 10 per cent at 30 June 2014, the impact on the profit or loss and the net asset value would have been negative £12.9 million (2013: negative £13.2 million). If the investment portfolio valuation rose by 10 per cent the impact would have been equal and opposite. The calculations are based on the portfolio valuation as at the respective balance sheet dates and are not representative of the year as a whole, and may not be reflective of future market conditions.

Interest rate risk

Financial assets

Bond and preference share yields, and their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Returns from bonds and preference shares are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. Consequentially, if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

Interest rate risk on fixed rate interest instruments is considered to be part of market price risk as disclosed above.

Floating rate

When the Company retains cash balances they are held in floating rate deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

Financial liabilities

The Company may utilise the bank facility to meet any liabilities due. The Company has borrowed in sterling at a variable rate based on the UK bank base rate. The Board sets borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

If the bank base rate had increased by 0.5 per cent, the impact on the profit or loss would have been a loss of £42,000 (2013: £15,000). If the bank base rate had decreased by 0.5 per cent, the impact on the profit or loss would have been equal and opposite. The calculations are based on borrowings as at the respective balance sheet dates and are not representative of the year as a whole.

Fixed rate

The Company holds fixed interest investments and has fixed interest liabilities.

	2014 £'000	2014 Weighted average interest rate (%)*	2014 Weighted average period for which the rate is fixed (years)	2013 £'000	2013 Weighted average interest rate(%)*	2013 Weighted average period for which the rate is fixed (years)
Assets:						
Fixed income and convertible securities	29,576	9.5	9.1	39,784	9.4	8.4
Preference shares	12,321	9.7	n/a	10,870	9.7	n/a

* The "weighted average interest rate" is based on the current yield of each asset, weighted by their market value.

Foreign currency risk

The Company invests in overseas securities and may hold foreign currency cash balances which give rise to currency risks. The Company does not hedge its currency exposure and as a result the movement of exchange rates between pounds sterling and the other currencies in which the Company's investments are denominated may have a material effect, unfavourable or favourable, on the returns otherwise experienced on the investments made by the Company. Although the Investment Manager may seek to manage all or part of the Company's foreign exchange exposure, there is no assurance that this can be performed effectively.

Foreign currency exposure at 30 June was as follows:

	2014 Investments £'000	2014 Cash £'000	2014 Net current assets/(liabilities) £'000	2014 Total £'000	2013 Investments £'000	2013 Cash £'000	2013 Net current assets £'000	2013 Total £'000
Canadian Dollar	51,750	(5)	(715)	51,030	41,148	3,096	859	45,103
Australian Dollar	23,928	(89)	228	24,067	24,813	275	807	25,895
US Dollar	11,914	5	312	12,231	26,044	484	(8)	26,520
Norwegian Krone	4,262	(133)	22	4,151	4,999	17	161	5,177
Swedish Krone	2,308	1	102	2,411	2,097	-	195	2,292
Swiss Franc	-	1	-	1	-	-	-	-
Euro	-	-	3	3	712	367	310	1,389
Papua New Guinea Kina	-	-	-	-	152	-	-	152
	94,162	(220)	(48)	93,894	99,965	4,239	2,324	106,528

If the value of sterling had weakened against each of the currencies in the portfolio by 5 per cent, the impact on the profit or loss and the net asset value would have been positive £4.7 million (2013: positive £5.3 million). If the value of sterling had strengthened by the same amount the effect would have been equal and opposite. The calculations are based on the portfolio valuation, cash balances and net current assets/(liabilities) as at the respective balance sheet dates and are not representative of the year as a whole, and may not be reflective of future market conditions.

The Investment Manager does not intend to hedge the Company's foreign currency exposure at the present time.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2014 £'000	2013 £'000
Cash and cash equivalents	14,539	10,895
Balances due from brokers	171	1,793
Interest, dividends and other receivables	1,046	1,326
	15,756	14,014

Credit risk on fixed interest investments is considered to be part of market price risk. As at 30 June 2014 and as at 26 September 2014 there were no debtors that were past due.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk.

The cash held by the Company and all the assets of the Company which are traded on a recognised exchange are held by HSBC Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports. Should the credit quality or the financial position of HSBC Bank deteriorate significantly the Investment Manager will move the cash holdings to another bank.

There were no significant concentrations of credit risk to counterparties as at 30 June 2014 and as at 30 June 2013. No individual investment exceeded 7.4 per cent of net assets as at 30 June 2014 (2013: 6.6 per cent).

As at 30 June 2014, the Company held 3 per cent or more of issued share capital of the following companies:

	Number of ordinary shares held	Percentage held
Plant Impact Plc	8,987,346	13.85
Advance Energy Ltd	2,324,633	10.39
ECR Minerals	316,109,590	9.70
Odyssey Energy Limited	41,464,200	9.50
Breaker Resources NL	6,250,000	9.07
Polar Star Mining Corp	16,787,166	8.27
Manhattan Corp Ltd (Uranio Ltd)	7,230,000	6.49
Wessex Exploration Plc	38,991,666	5.38
Australian Oil Co Ltd	4,000,000	4.37
Forte Energy	49,804,000	3.52
Castle Mountain Mining Co Ltd	1,900,000	3.02

Liquidity risk

The Company's financial instruments include investments in unlisted investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate these investments at an amount close to their fair value.

At the reporting date, the Company's financial assets exposed to liquidity risk amounted to the following:

	2014 £'000	2013 £'000
Unquoted investments:		
Unquoted convertible securities that are convertible into listed securities	103	2,258
Unquoted equities (including placings)	4,769	5,440
Unquoted bonds	905	1,170
	5,777	8,868

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place as described in the Directors' Report. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient cash, has a short term bank facility and readily realisable securities to pay accounts payable and accrued expenses. The Company also maintains sufficient cash and readily realisable securities to meet any demand repayments on its overdraft facility.

19 Related Party Transactions

The following are considered related parties: the Board of Directors ('the Board') and CQS/New City Investment Managers ('the Investment Manager').

As at 30 June 2014, the Company held shares in New City Energy Ltd and Golden Prospect Precious Metals Ltd, these two investment companies are also managed by the Investment Manager.

Details of the fee arrangement with the Investment Manager is included within the Directors' Report under the heading Management and Management Fees and is disclosed in note 3.

There are no other transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 24 and 25, and as set out in the note 4 to the accounts. The beneficial interests of the Directors in the ordinary shares of the Company and in the 3.5% Convertible Unsecured Loan Stock 2018 are disclosed on pages 14 and 15.

The balance due to Directors for fees at the year end was £nil (2013: £nil).

Glossary of Terms and Definitions

45

Actual Gearing	Total assets (as below) less all cash divided by shareholders' funds.
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Discount/Premium	The amount by which the market price per share of an investment trust is lower or higher than the net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. To calculate the net asset value per Ordinary share the net asset value divided by the number of shares in issue produces the net asset value per share.
Ongoing Charges Ratio	A measure of all operating costs incurred in the reporting period, calculated as a percentage of average net assets in that year. Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments, interest costs, taxation and the costs of buying back or issuing ordinary shares.
Potential Gearing	Total assets (as below) divided by shareholders' funds.
Price/Earnings Ratio	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Redemption Yield	The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation.
Total Assets	Total assets less current liabilities (excluding prior charges as defined above).
Total Return	Total return involves reinvesting the net dividend in the month that the share price goes up. The NAV total return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

Notice of Annual General Meeting

Notice is hereby given that the nineteenth Annual General Meeting of City Natural Resources High Yield Trust plc will be held at The Royal Crescent Hotel, 16 Royal Crescent, Bath, BA1 2LS on 27 November 2014 at 12.30 pm to consider the following resolutions:

Ordinary Business

As ordinary business, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Directors' report and financial statements for the year ended 30 June 2014, together with the auditor's report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30 June 2014.
4. To re-elect Mr G D C Burns, who retires annually as a Director.
5. To re-elect Mr A J R Collins, who retires annually as a Director.
6. To re-elect Mr B M L Coulson, who retires annually as a Director.
7. To re-elect Mr R Ö Prickett, who retires annually as a Director.
8. To elect Mr A G Evans.
9. To re-appoint KPMG Audit LLP as Independent Auditor of the Company and to authorise the Directors to determine their remuneration.

Special Business

As special business, to consider and if thought fit, pass the following resolutions, which will be proposed as Ordinary Resolutions:

10. That the Company continues as an investment trust pursuant to the undertaking given by the Board in 2003.
11. That, in substitution for any existing authority, but without prejudice to the exercise of any such authorisation prior to the date of this resolution, the Directors of the Company be and they are hereby generally and unconditionally authorised, in accordance with Section 551 of the Companies Act 2006 ("the Act"), to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (together being "relevant securities"), up to an aggregate nominal amount of £1,670,149, such authorisation to expire at the conclusion of the next annual general meeting of the Company to be held in 2015, unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authorisation, make an offer or enter into an agreement which would or might require relevant securities to be allotted or granted after the expiry of such authority and the Directors of the Company may allot or grant relevant securities in pursuance of such an offer or agreement as if such authorisation had not expired.

As special business, to consider and if thought fit, pass the following resolutions which will be proposed as Special Resolutions:

12. That, subject to the passing of resolution 11 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date of this resolution, the Directors of the Company be and they are hereby empowered, in accordance with Sections 570 and 573 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act) either pursuant to the authorisation under Section 551 of the Act conferred on the Directors of the Company by such resolution numbered 11, or by way of a sale of treasury shares, in each case for cash, as if Section 561(1) of the Act did not apply to any such allotment:
 - (i) other than pursuant to sub-paragraph (ii) below, up to an aggregate nominal amount of £834,238 (representing approximately 4.99 per cent of the present issued share capital of the Company); or
 - (ii) in connection with an offer of equity securities open for acceptance for a period fixed by the Directors of the Company to the holders of ordinary shares in the share capital of the Company on a fixed record date in proportion (or as nearly as practicable) to their respective holdings of ordinary shares (but subject to such exclusions or other arrangements as the Directors of the Company may consider necessary or expedient to deal with any legal problems under or resulting from the application or apparent application of the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise howsoever);

such power to expire at the conclusion of the next annual general meeting of the Company to be held in 2015 unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors of the Company may allot equity securities in pursuance of such an offer or agreement as if such power had not expired.
13. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of this resolution, the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company and to cancel or hold in treasury such shares provided that:
 - (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99 per cent of the issued share capital of the Company as at the date of the passing of this resolution;
 - (ii) the minimum price which may be paid for an ordinary share is 25p;

- (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the higher of (i) 5 per cent above the average of the middle market quotations for an ordinary share on the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which any such purchase is made and (ii) the higher of the last independent trade and the highest current bid on the London Stock Exchange;
 - (iv) the authority hereby conferred shall expire on 31 December 2015 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2015 unless such authority is renewed, varied or revoked by the Company in general meeting prior to such time; and
 - (v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.
14. That, a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

R&H Fund Services Limited
Secretary
15-19 York Place
Edinburgh EH1 3EB
26 September 2014

Notes

1. Information about this meeting is available from the Investment Manager's website; www.ncim.co.uk
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
3. A form of proxy is enclosed for use at the above meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. To be effective, the form of proxy, duly executed, must be lodged at the address shown on the form of proxy not later than 48 hours before the time of the meeting.
4. The right to vote at the meeting is determined by reference to the Company's register of Members as at 6.00 pm on 25 November 2014. Changes to entries on the register after that time should be disregarded in determining the rights of any member to attend and vote at the meeting.
5. As at 9.00 am on 26 September 2014, the Company's issued share capital comprised 66,872,822 ordinary shares of 25 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company, and therefore, the total number of voting rights in the Company as at 9.00 am on 26 September 2014 is 66,872,822.
6. As a member, you have the right to put questions at the meeting relating to the business being dealt with at the meeting.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in notes 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID-RA19) by the latest time for the receipt of proxy appointments specified in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
13. No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting.
14. Under section 338 of the Companies Act 2006, members may require the Company to give, to members of the Company entitled to receive this notice of meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting. Under Section 338A of that Act, members may request the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business.
15. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
16. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.ncim.co.uk.
17. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Corporate Information

49

Registered Number

02978531

Registered Office

R&H Fund Services Limited
6 New Street Square
New Fetter Lane
London EC4A 3AQ

Directors

Geoffrey D C Burns (Chairman)
Adrian J R Collins
B Michael L Coulson
Alun Evans
Richard Ö Prickett*

Investment Manager

New City Investment Managers
CQS Cayman Limited Partnership
5th Floor
33 Grosvenor Place
London SW1X 7HY

Secretary

R&H Fund Services Limited
15-19 York Place
Edinburgh EH1 3EB
Tel: 0131 524 6140

Solicitors

Maclay Murray & Spens LLP
One London Wall
London EC2Y 5AB

Financial Adviser and Corporate Broker

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London E14 5RB

Bankers, Custodian and Depositary

HSBC Bank plc
8 Canada Square
London E14 5HQ

Auditor

KPMG LLP
20 Castle Terrace
Edinburgh EH1 2EG

AIFM

CQS Asset Management Limited
5th Floor
33 Grosvenor Place
London SW1X 7HY

Registrars

Equiniti
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA

Shareholder helpline UK: **0871 384 2410****
Shareholder helpline overseas: **+44 121 415 7047**

Shareholder Information

Net Asset Value/Share Price

The net asset value of the Company's ordinary shares may be obtained by contacting CQS on 0207 201 6900 or by email at clientservice@cqsm.com or alternatively by visiting the Company's web site at www.ncim.co.uk.

Website

www.ncim.co.uk

**Chairman of the Audit Committee

**Calls to this number cost 8p per minute (excluding VAT) plus network extras. Calls from outside the UK will be charged at international rates. Other telephony provider costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday.



