

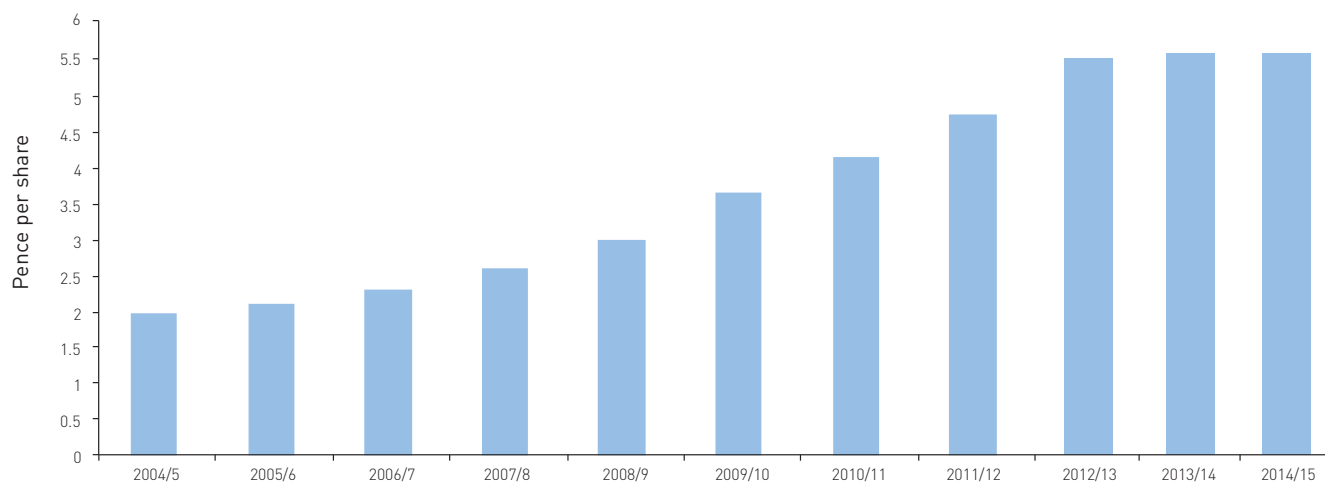
citynatural
resources
high yield trust plc



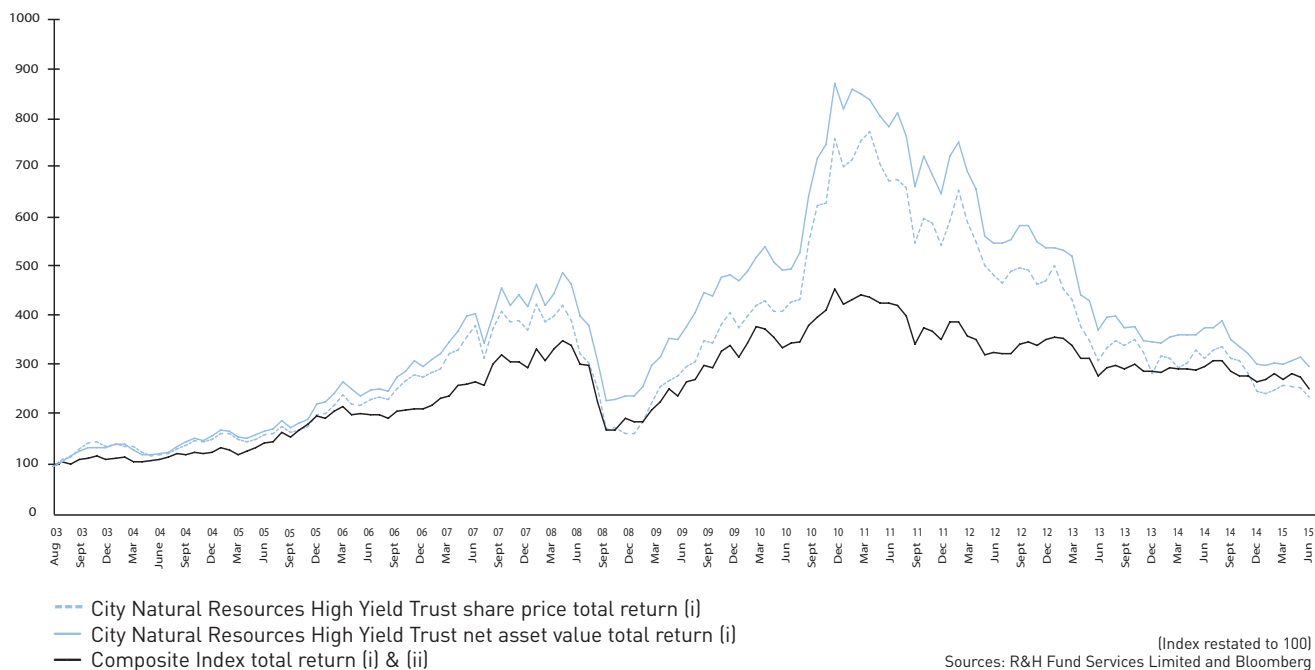
Annual Report

30 June 2015

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.

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Financial Highlights

Total Return*	Year to 30 June 2015	Year to 30 June 2014	Period from 1 August 2003 to 30 June 2015
Net asset value	-20.9%	+1.4%	+201.3%
Ordinary share price	-24.6%	+2.2%	+141.2%
Composite index	-14.5%	+6.1%	+157.1%
Euromoney Global Mining Index (sterling adjusted)	-23.3%	+8.7%	+151.9%
Credit Suisse High Yield Index (sterling adjusted)	+8.9%	-0.3%	+167.6%

Capital Values	30 June 2015	30 June 2014	% change period
Net asset value per share	121.7p	159.9p	-23.9%
Ordinary share price (mid market)	94.9p	133.0p	-28.6%
3.5% Convertible Unsecured Loan Stock ("CULS") (mid market)	96.5p	90.8p	+6.3%

Revenue and Dividends	30 June 2015	30 June 2014	% change period
Earnings per ordinary share	6.15p	5.45p	+12.8%
Dividends per ordinary share	5.60p	5.60p	–
Dividend Yield	5.9%	4.2%	
Discount (difference between share price and fully diluted net asset value)	22.1%	16.8%	
Gearing*			
Gearing provided by CULS	19.0%	20.5%	
Ongoing charges (as a percentage of average shareholders' funds)	1.7%	1.7%	

Period's Highs/Lows	Year to 30 June 2015 High	Year to 30 June 2015 Low
Net asset value	165.3p	120.2p
Ordinary share price (mid market)	146.0p	93.8p
Discount	25.6%	7.1%

Dividend History	Rate	xd date	Record date	Payment date
Fourth interim 2015	3.02p	30 July 2015	31 July 2015	28 August 2015
Third interim 2015	0.86p	30 April 2015	1 May 2015	29 May 2015
Second interim 2015	0.86p	29 January 2015	30 January 2015	27 February 2015
First interim 2015	0.86p	30 October 2014	31 October 2014	28 November 2014
Total	5.60p			
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			

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

Chairman's Statement 3

Introduction

The second half of your Company's financial year to 30 June 2015 saw relative stability after a very difficult six months to 31 December which saw oil prices halve. Unfortunately July and August saw a resumption of the commodity market retreat, exacerbating what was already a disappointing period of performance.

Investment and Share Price Performance

At 30 June 2015 your Company's net asset value stood at 121.7 pence per share, giving a net asset value total return for the year of -20.9 per cent. The benchmark index returned -14.5 per cent.

Adding to the pain suffered by shareholders, the Company's ordinary share price total return of -24.6 per cent for the year was worse than this, reflecting a widening in the discount at which the Company's shares trade from 16.8 per cent to 22.1 per cent during the year. The average discount over the year to 30 June 2015 was 16 per cent, and over three years 15 per cent.

Since 30 June the net asset value has fallen a further 18 per cent, standing at 99.4 pence at the time of writing. The share price is 87.4 pence and the discount stands at 12 per cent.

It is small comfort, but some mitigation, that your Company performed well compared to its peers over the year, coming top out of the eight funds in its peer group in terms of share price total return.* Your Company continues to provide a unique exposure to the less accessible areas of smaller mining and resource stocks, and so volatility during commodity downturns is inevitable. Will Smith and Ian Francis, our portfolio managers, report on investment performance in more detail below.

Over the long term, since the redirection of the Company in 2003 net asset value total return is 201.3 per cent, ordinary share price total return 141.2 per cent, and benchmark total return 157.1 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 per share brought the total dividend for the year to 5.60 pence. This was the same level as paid last year after nine consecutive years of dividend growth. Last year's dividend was uncovered and, although this year's earnings of 6.15 pence were, as anticipated, more than sufficient to cover the maintained dividend the Board concluded that a degree of caution was in shareholders' interests given the number of factors which influence the income which are currently hard to predict, including currency and interest rates.

*Source: Cantor Fitzgerald/AIC Information Services Limited

The yield on the Company's shares of 6.4 per cent as I write also played a role in this decision.

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 19.0 per cent at the year end.

The Company's 3.5% Cumulative Unsecured Loan Stock 2018 ("CULS") price rose from 90.8 pence to 96.5 pence during the year, an increase of 6.3 per cent.

Board Changes

During the last year your Board has been discussing its development and succession, with the objective of refreshing it over the next two years. To this end Michael Coulson will not stand for re-election at this year's Annual General Meeting ("AGM"). I would like to record the extraordinary contribution Michael has made to your Company over the years, in particular his expertise on all things to do with gold. His contribution to Board discussions has been robust and invaluable. I am delighted to welcome Helen Green, who shareholders will be invited to elect at the forthcoming AGM. Helen has considerable experience in fund administration and governance through her work at Saffery Champness, has sat on a number of investment fund boards, and I am sure will have a vital input to your Board in the coming years. I will report to you further next year on our progress with the development of the Board.

Annual General Meeting

The Company's Annual General Meeting returns to London this year and will take place at The In & Out (Naval and Military Club) at 12.30pm on Thursday 26 November 2015. I do hope that as many shareholders as possible will join us and take the opportunity to meet the Directors and the investment managers over a buffet lunch after the meeting.

Outlook

The period since the year end has seen the Company's net asset value reduced to 99.4 pence per share, down some 75 per cent since its peak in December 2010, in a continuation of the veritable bloodbath that the last five years has represented for this sector. Even allowing for dividend payments this has been a traumatic time for shareholders, the Directors included.

In the short term the uncertainty continues. Oil continues to be priced around the \$50/barrel level, and it remains true that this

will put money into consumers' pockets. It is not obvious to what extent the low price level is a consequence of aggressive Saudi Arabian production, and to what extent a fear of economic slowdown, above all in China and the emerging economies. The recent rout in Chinese equity markets saw a frisson amongst world stock markets, and the decision by the Chinese Central Bank to weaken the yuan promises much more, with revived fears of currency wars and worse. Whether this will be enough to postpone the long trailed rate rise in the US remains to be seen, but bond markets continue to look exposed; their considerable correction and the substantial reduction in liquidity since 2008 increasing the risks of a liquidity crunch and spike up in yields.

On the other hand, fear in the bond markets could see asset allocations to equities being increased, and the lagging effect of commodity price falls in general, and oil in particular, may see growth expectations surprise on the upside.

What is certain, is that over the medium term the case for your Company remains as compelling as ever, with world population growth and increasing urbanisation underpinning a demand for commodities that can only expand. This was true when I last wrote to you in February, and it remains the case. The current period of financial retrenchment at producing companies and virtual abandonment of exploration projects, combined with the supply constraints that threaten all but bulk commodities, will make the recovery even more dramatic when it does arrive.

However, while it is tempting to call the bottom of this part of the commodity cycle, your Company continues to be as risk balanced as is possible given the constraints of our mandate, asset class and balance sheet.

Geoff Burns

Chairman

15 September 2015

Investment Manager's Review

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Macro Backdrop

Commodity markets entered their fifth year of a bear market in May as the global economy maintained its low trajectory growth. China, the principal lead in the commodity supercycle, had its prospects consistently downgraded over the year and the Euro wrangle over Greece was another disruptive drag on the developed world's economy. The Euromoney Global Mining Index fell 32% over the year as generalist investors continued to shun the sector. Saudi Arabia's decision to seek market share caused the price of oil to fall 43%, leading the commodity complex lower, the CRB Commodity Index losing 14%. Oil being the principal transportation fuel has been compared to a tax on economic activity, but the obvious benefit to the global economy of such a sharp reduction in price has been slow to emerge, although this can be partly explained by the reduction in oil subsidies in many developing countries. Good for reducing emerging government deficits, but not yet for the consumer.

Gold fell 11% over the period, absent from its safe haven role during this year's Euro crisis, but, given the onerous demands of the bailout fail to address the central problem of Greece's unserviceable debt burden, it may well be given another opportunity. Gold remained in strong demand by both the Central Banks of the developing world, who bought 477 tons in 2014 and also the public, as demonstrated by the robust sales of gold coins issued by the US and Australian Mints.

Income

Having the desire, but not the means is an unfortunate state to be in and this applies to many of our producing companies who know that increasing dividends is an exigency when it comes to attracting generalist investors back to the sector. Falling commodity prices have made this an arduous task for many, but the likes of Central Asian Metals, Sandfire Resources, APA Group, Mandalay Resources and BWLPG Ltd have all managed to expand their payouts against the trend.

The Company's largest holding is in the preference shares of R.E.A. Holdings, who operate palm oil plantations in Indonesia. The palm oil price has suffered over the last year, in common with other commodities, but the confirmation of an El Nino weather event has traditionally had a strong correlation with a better pricing environment. Greencoat Wind, a manager of wind farm projects, has performed well during a difficult period of renewable subsidy upheaval.

For the fixed income element of the portfolio, we sold £3.6m of capital allocated in the energy sector including, Golden Close Maritime 11% 2015, Petroamerica 11.5% 2015 and Chloe Marine 11% 2016, redeploying the proceeds into consumer focussed UK bonds such as Pizza Express 8 5/8% 2022 and Lloyds 7.875% perpetual to maintain diversity whilst awaiting a sustained recovery in the commodities sector.

Shareholders may note that there are a number of UK Treasury Stocks within the portfolio. We invest in these securities as an alternative to bank deposits when we have surplus cash awaiting investment.

Capital

In a year in which copper prices fell 18%, nickel 38% and silver 26%, the mining sector has been an arid environment for those seeking to grow capital. Weak demand is currently facing strong supply in many commodities, particularly the bulks, which is a result of a decade of capital investment inspired by forecasts of China's perpetual growth. Throughout the year, management teams of the major producers have continually endeavoured to reduce costs and future capex leading to the shelving and deferral of many projects. This will inevitably mean that when the cycle turns, growth will have to be bought, and we remain focussed on developers and explorers working on potential Tier 1 assets.

M&A, although reduced, remains a constant theme in the sector and the year saw takeover approaches for Newstrike Capital, Cayden Resources and Sirius Resources. The Tier 1 asset test, albeit in Agriculture, would also apply to a long standing member of the Company's portfolio, New Britain Palm Oil, who eventually succumbed to a bid by Sime Darby.

The junior exploration companies have been desiccated by the mining sector's capital drought, and the most exciting exploration successes have been made close to the existing operations of producing companies. Sandfire Resources, a copper producer in Western Australia, announced encouraging results from their Monty discovery which has the potential to extend the existing mine-life of their high grade Degrussa project.

As commodity prices declined, the battle for those miners in production has been to reduce costs accordingly. The weakness in many "commodity" currencies such as the Australian and Canadian dollars and the Mexican and Chilean peso relative to the US dollar in which all commodities are priced, has been to the great benefit of those companies operating within these jurisdictions. The Company's mining portfolio has prioritised such producers and the likes of Northern Star Resources, Saracen Minerals, Agnico Eagle Mines and Fortuna Silver have all managed to sharply reduce costs and improve margins.

The fall in oil prices compelled a change in weighting of the Company's oil and gas exposure, prioritising those companies less directly exposed to the oil price, such as BWLPG, as a leading LPG shipper, and a beneficiary of the glut of LPG on the Gulf Coast. It has been impressive to watch the North American onshore producers unveil remarkable productivity gains over the last six months to the extent that production has not fallen despite the fall in price. In the absence of a volte face from Saudi Arabia, it is likely that the oil price will remain lower for

longer. Vermilion Energy, our largest position in the oil and gas sector, is exposed primarily to the European Gas market which has been one of the most relatively robust pricing markets.

The reduction, by acquisition of the Company's palm oil investments, of our agriculture weighting was offset by the performance of Plant Impact over the year. Although still a small company, they made great strides strengthening their relationship with Bayer, both in Brazil and elsewhere, as well as bolstering both their management and board.

Outlook

Less supply and more demand is the quick fix prescription for the ills of the resource sector, and one that is currently dismissed as credible by the wider market. Whilst acknowledging that the bulk commodities are well supplied, the base metals appear to be closer to equilibrium and the capital starvation that the sector has endured will exacerbate the effect of any positive shift in the supply and demand dynamic. The number of active exploration companies has dwindled and the number of projects being developed into mines has also shrunk as capital has deserted the sector. Commodities are cyclical but it is worth noting that demand for most metals, agricultural products and energy, is still rising in real terms and these products cannot be substituted. After five years of a downturn, many commodities are currently gouging deep into the cost curve and a sign that the turn is close would be for unprofitable operations to close. Since the juniors cannot run unprofitably for long, we await leadership on this from the majors.

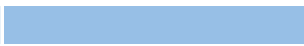
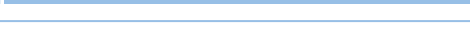
We have commented above on the Company's top five largest holdings and we would note the diversified nature of these investments across the natural resources sector with securities in Palm Oil, Seed Technology, Oil & Gas Exploration and Production, Mineral Exploration and Production and Wind Energy. We will always look to invest in the traditional commodity resource sectors but it is encouraging that emerging technologies have been available to us and have provided a good source of capital growth and income.

We are conscious of many producers eager to increase dividends, when conditions allow, and remain cognizant of the significance of dividends to shareholders. The fixed interest holdings are still central to the provision of a robust income account, but as the tide returns to the resource sector, equity opportunities will again provide attractive yields. Despite the current gloom in the sector, we remain certain of the cyclical nature of the resources sector and given its recent abandonment by generalist investors, are also positive that the turn will be marked not with a whimper but a roar.

Will Smith
Ian Francis
 New City Investment Managers
 15 September 2015

Classification of Investment Portfolio by Sector

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As at 30 June		2015 % of total investments	2014 % of total investments
Gold		13.3	12.7
Oil & Gas		13.1	26.9
Copper		6.8	4.0
Agriculture		6.1	2.3
Nickel		4.8	3.4
Alternative Energy		3.7	0.9
Silver		2.9	2.4
Uranium		2.2	3.2
Diamonds		2.2	2.1
Iron Ore		1.4	0.4
Palm Oil		1.2	6.9
Platinum		0.2	0.1
Rare earth		0.2	0.3
Other mining Investments		0.1	2.1
Treasury Stock		9.8	0
Preference Shares		11.4	9.5
Fixed Interest Securities		20.6	22.8
Total Investments		100.0	100.0

Classification of Investments by Stockmarket Quotation

As at 30 June		2015 % of total investments	2014 % of total investments
UK		42.5	25.9
Canada		25.7	38.0
Australia		18.8	17.3
Europe		8.9	6.5
US		1.0	7.8
Other		0.5	–
Unquoted		2.6	4.5
Total Investments		100.0	100.0

Investment Portfolio

as at 30 June 2015

Company	Sector	Valuation £'000	Total Investments %
REA Holding (note 1)	Palm oil	6,962	6.5
Plant Impact	Agriculture	4,582	4.3
Vermilion Energy	Oil & Gas	4,405	4.1
Sirius Resources	Nickel	3,797	3.5
Greencoat UK Wind	Alternative energy	3,591	3.3
Sandfire Resources	Copper	3,386	3.2
Central Asia Metals	Copper	2,421	2.3
Ocean Rig 7.25% 01/04/2019	Oil & Gas	1,938	1.8
BW LPG	Oil & Gas	1,903	1.8
Antares Energy 10% 30/10/2023	Oil & Gas	1,861	1.7
Top ten investments		34,846	32.5
Saracen Mineral Holdings	Gold	1,688	1.5
Raven Russia 12% preference shares	Property	1,641	1.5
APA Group	Oil & Gas	1,617	1.5
National Westminster 9.0% preference shares	Finance	1,605	1.5
Crescent Point Energy	Oil & Gas	1,500	1.4
Northern Blizzard	Oil & Gas	1,497	1.4
Tizir 9% 28/09/2017	Mineral Sands	1,489	1.4
Santander Finance 10.375% preference shares	Finance	1,485	1.4
Bluewater Holding 10% 10/12/2019	Oil & Gas	1,472	1.4
Skipton Building Society 6.75% 30/05/2022	Finance	1,471	1.4
Top twenty investments		50,311	46.9
Mandalay Resources	Gold	1,456	1.4
Labrador Iron Ore	Iron Ore	1,454	1.4
Ecclesiastical Insurance 8.625% preference shares	Finance	1,408	1.3
Agnico-Eagle Mines	Gold	1,267	1.2
PizzaExpress Financing 8.625% 01/08/2022	Other investments	1,267	1.2
Perseus Mining	Gold	1,237	1.2
Mountain Province Diamonds	Diamonds	1,186	1.1
First Majestic Silver	Silver	1,155	1.1
Fortuna Silver Mines	Silver	1,154	1.0
Kennady Diamonds	Diamonds	1,151	1.0
Top thirty investments		63,046	58.8
Goldcorp	Gold	1,135	1.1
JSC MMC Norilsk Nickel	Nickel	1,074	1.1
Lloyds Banking Group 7.875% 27/06/2029	Finance	1,054	1.0
Lundin Mining	Copper	1,044	1.0
Brit Insurance 6.625% 09/12/2030	Finance	1,042	1.0
Iona Energy 27/09/2018 Wts	Oil & Gas	1,016	0.9
Crown Resorts 7.75% FRN 14/09/2072	Other investments	1,008	0.9
European Gas *	Oil & Gas	1,007	0.9
Louis Dreyfus 8.25% 29/12/2049	Various	1,006	0.9
Balfour Beatty 10.75% preference shares	Other investments	1,003	0.9
Top forty investments		73,435	68.5

Company	Sector	Valuation £'000	Total Investments %
Welltec 8% 01/02/2019	Oil & Gas	998	0.9
Union Agriculture Group (Placement) *	Agriculture	959	0.9
Trafigura Beheer 7.625% 29/10/2049	Finance	959	0.9
Elematic Oy 10% 30/05/2018	Oil & Gas	954	0.9
Eldorado Gold	Gold	922	0.9
Stretford Seventy Nine 6.75% 15/07/2024	Finance	870	0.8
United Cacao	Agriculture	844	0.8
APT Pipelines 8.13% FRN 30/09/2072	Oil & Gas	815	0.8
Guyana Goldfields	Gold	797	0.7
Tahoe Resources	Silver	772	0.7
Top fifty investments		82,325	76.8
Fission Uranium	Uranium	747	0.7
WhiteCap Resources	Oil & Gas	670	0.6
Rubicon Minerals	Gold	576	0.5
Regis Resources	Gold	530	0.5
Oro Negro Impetus 11% 04/12/2015	Oil & Gas	497	0.5
Denison Mines	Uranium	487	0.5
Phoenix Gold	Gold	485	0.4
Berkeley Resources	Uranium	456	0.4
Klondex Mines	Gold	430	0.4
Maya Gold & Silver Conv Deb 8% 28/03/2017 *	Gold	409	0.4
Top sixty investments		87,612	81.7
Golden Prospect Precious Metal +	Gold	403	0.4
General Exploration 11.5% 13/11/2018	Gold	402	0.4
Aureus Mining	Gold	333	0.3
Foresight Solar	Alternative energy	323	0.3
Kingsrose Mining	Gold	323	0.3
Condor Gold	Gold	317	0.3
Continental Gold	Gold	305	0.3
Alkane Energy	Oil & Gas	296	0.3
Foran Mining	Copper	275	0.3
Polarcus 8% 07/06/2018	Oil & Gas	272	0.3
Top seventy investments	Investments	90,861	84.9
Northern Star Resources	Gold	270	0.3
Odyssey Energy	Oil & Gas	270	0.3
New City Energy +	Oil & Gas	259	0.2
St George Mining	Nickel	258	0.2
Timmins Gold	Gold	257	0.2
Newcastle Gold	Gold	257	0.2
Sherritt International 8% 15/11/2018	Nickel	248	0.2
Revelo Resources	Gold	245	0.2
Sylvania Platinum	Platinum	236	0.2
Samco Gold	Gold	222	0.2
Top eighty investments		93,383	87.1
UK Treasury Stocks		10,491	9.8
Other investments		3,355	3.1
Total investments		107,229	100.0

Top Ten Largest Holdings

	Valuation 2014 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 2015 £'000
REA Holdings	7,935	32	–	(1,005)	6,962
Plant Impact	2,022	68	(66)	2,558	4,582
Vermilion Energy	6,484	–	–	(2,079)	4,405
Sirius Resources	4,198	–	(712)	311	3,797
Greencoat UK Wind	–	2,731	–	860	3,591
Sandfire Resources	1,715	2,193	–	(522)	3,386
Central Asia Metals	1,134	1,123	(57)	221	2,421
Oceon Rig 7.25% 01/04/2019	2,315	–	–	(377)	1,938
BW LPG	–	1,720	–	183	1,903
Antares Energy 10% 30/10/2023	2,368	–	–	(507)	1,861
	28,171	7,867	(835)	(357)	34,846

At 30 June 2015 these investments totalled £34,846,000 or 32.5% of the investment portfolio.

Notes to the Investment Portfolio

Note 1 - Includes REA Holdings valued at £1,327,500, REA Holdings 9% preference shares valued at £5,111,910 and REA Finance 9.5% 31/12/2017 valued at £522,500

* 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 2015. 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

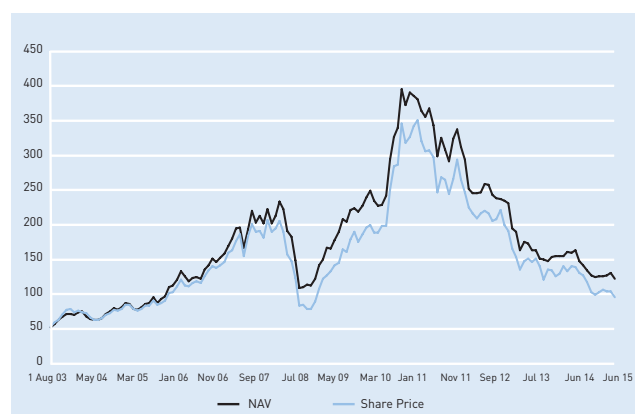
Since 2004, shareholders have been given the opportunity to vote on an ordinary resolution to continue the Company as an investment trust at each Annual General Meeting of the Company. Such a resolution has been proposed as Resolution 10 within the notice of Annual General Meeting on pages 46 and 47. 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 2015, 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 2015 there were five 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
 15 September 2015

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

Length of service: 10 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

Adrian John Reginald Collins

Director

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

Bevis Michael Leigh Coulson

Director

Length of service: 12 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

Alun Grant Evans

Director

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: 5,000 ordinary shares

Helen Foster Green

Director

Length of service:

appointed a Director on 1 September 2015.

Experience:

She is a Chartered Accountant and a director of Saffery Champness, one of the UK's Top 20 accountancy practices, in Guernsey. She joined Saffery Champness in London in 1984, relocating to Guernsey in 2000.

Committee membership:

Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £18,000 per annum

All other public company directorships:

Acorn Income Fund Limited
Advance Frontier Markets Fund Limited
Henderson Diversified Income Fund Limited
John Laing Infrastructure Fund Limited
Landore Resources Limited

Shared Directorships with any other Trust Directors:

Landore Resources Limited

Shareholding in Company: None

Richard Öther Prickett FCA

Director and Chairman of the Audit Committee

Length of service:

9 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:

Landore Resources Limited

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 August 2015, US\$13.5 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 Company has appointed CQS Asset Management Limited, a subsidiary of CQS, as the Company's alternative investment manager "AIFM". The AIFM has received its approval from the FCA 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 the AIFM.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 30 June 2015.

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').

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on pages 14 and 15.

As disclosed in the prior year, Mr Alun Evans was appointed as an independent non-executive Director on 26 September 2014. There were no other changes to the composition of the Board during the year.

Since the year-end, the Company appointed Mrs Helen Green as an independent non-executive Director on 1 September 2015. Mrs Green is a chartered accountant and is a director of Saffery Champness, one of the UK's top 20 accountancy practices, in Guernsey. In accordance with the Company's Articles of Incorporation, Helen Green will seek election by shareholders at the Annual General Meeting.

As explained in more detail under Corporate Governance on pages 20 to 21, the Board has agreed that all Directors will retire annually. Mr G D C Burns, Mr A J R Collins, Mr R O Prickett and Mr A G Evans will retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr B M L Coulson has indicated that he will not stand for re-election and will therefore retire from the Board at the conclusion of the Annual General Meeting.

The Directors believe that each of the Directors brings a significant range of business, financial and management skills and experience to the Company and enable the Board to provide effective strategic leadership and proper guidance of the Company. The Board confirms that, following the annual evaluation process set out in the Corporate Governance

Statement on page 20, the performance of each of these Directors continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are elected/ re-elected.

Capital Structure

As at 30 June 2015 there were 66,875,765 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.

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 2014, the Company had £39,940,775 nominal of CULS in issue. On 16 October 2014, the Company issued 1,629 ordinary shares of 25 pence each in connection with the exercise of conversion rights by holders of £6,151 nominal of the Company's CULS. On 13 April 2015, the Company issued 1,314 ordinary shares of 25 pence each in connection with the exercise of conversion rights by holders of £4,964 nominal of the Company's CULS. Following this conversion and as at 15 September 2015 £39,929,660 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 15 September 2015, 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	6,327,348	9.5
Alliance Trust Savings	3,777,675	5.6
Reliance Mutual	3,305,000	4.9
South Yorkshire Pension Authority	3,005,000	4.5
Barclays Stockbrokers	2,817,270	4.2
West Yorkshire	2,693,000	4.0
Charles Stanley	2,420,247	3.6
Investec Wealth & Investment	2,126,086	3.2
Jupiter Asset Management	2,055,000	3.1

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. 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 £1,670,222, being 9.99 per cent of the total issued shares as at 15 September 2015.

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 £834,275 (being 4.99 per cent of the total of issued shares as at 15 September 2015). 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 2016. 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 2016.

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 184,643 ordinary shares.

By Order of the Board

R&H Fund Services Limited

Secretary

15 September 2015

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

15 September 2015

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 2015 the Board met 4 times. In addition, there were 2 Audit Committee meetings, 1 Management Engagement Committee meeting, 2 Nomination Committee meetings and 7 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 2015 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)	4 (4)	2 (2)	1 (1)	2 (2)
A J R Collins	4 (4)	2 (2)	0 (0)	0 (0)
B M L Coulson	4 (4)	2 (2)	1 (1)	2 (2)
R Ö Prickett	4 (4)	2 (2)	1 (1)	2 (2)
A G Evans	3 (3)	2 (2)	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 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.

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.

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 Mrs Green was appointed on the 1 September 2015.

Stewardship Code

The Financial Reporting Council ("FRC") published "The UK Stewardship Code" ("Code") for institutional shareholders in September 2012. 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 receives reports from the Manager 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 in Share Capital" 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

15 September 2015

Report of the Audit Committee

Composition of the Audit Committee

- An Audit Committee has been established with written terms of reference and comprises five non-executive Directors, Mr R Ö Prickett (Chairman), Mr B M L Coulson, Mr G D C Burns, Mr A G Evans and Mrs H F Green. 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 2015. 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 audit director is in his first year of 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 risks within the financial statements to be the valuation and ownership of quoted and unquoted 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 Board receives regular updates from the Investment Manager on the valuation of unquoted investments and assess the information provided in establishing the valuations used within the net asset value. The Company also receives regular reporting on internal controls (as set out on page 23).

As part of the annual audit, the Auditor has validated the existence of all securities held by the Company to the records maintained by the Custodian. The Auditor has agreed the valuation of all of the quoted investments in the portfolio to independent pricing providers. In respect of the unquoted securities, the Auditor has reviewed the basis and justification for the carrying values established by the Investment Manager and

approved by the Board. 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 2015 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 2015. 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

15 September 2015

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.

Directors' Remuneration Policy

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 2015 was £94,000. 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 2015
A J R Collins	14 December 1995	AGM 2015
H F Green	1 September 2015	AGM 2015
A G Evans	26 September 2014	AGM 2015
R Ö Prickett	30 November 2006	AGM 2015

Annual Report on Directors' Remuneration

Directors' Emoluments (audited)

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

	2015 £'000	2014 £'000
G D C Burns*	25	25
A J R Collins†	18	18
B M L Coulson	18	18
A G Evans	13	–
R Ö Prickett**††	20	20
A D Cooke***	–	9
Totals	94	90

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.

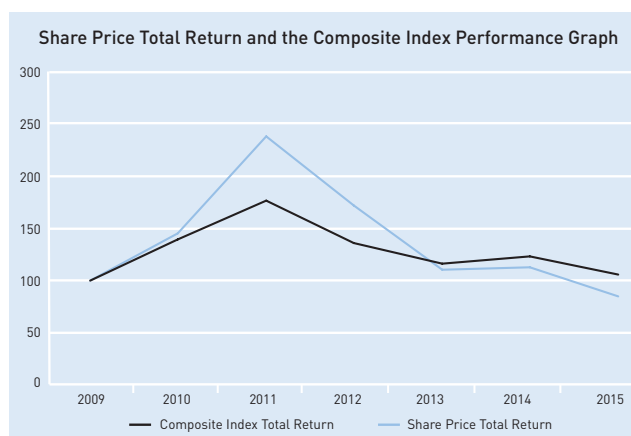
The beneficial and non-beneficial interests of the Directors who held office during the year in the shares of the Company as at 30 June 2015 were:

	Ordinary shares		CULS	
	2015	2014	2015	2014
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	-	-
A G Evans	5,000	-	-	-
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 2015 and 15 September 2015.

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 below compares for the six years to 30 June 2015 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 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 27 November 2014, shareholders approved the Directors' Remuneration Policy and the Directors' Remuneration Report in respect of the year ended 30 June 2014. 99.8% of votes were in favour of the resolutions and 0.2% were against.

An ordinary resolution for the approval of the Annual Report on Directors' Remuneration 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 15 September 2015.

Geoff Burns
Chairman

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

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 2015 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 2015 and of its loss 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 risks of material misstatement that had the greatest effect on our audit were as follows:

Carrying amount of unquoted investments

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

The risk: 2.3% of the Company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as price of recent orderly transactions, earnings multiples and net assets. Although the unquoted investments portfolio reflects only 2.3% of the Company's total assets, the value in 2015 is driven by a smaller number of individual investments, compared with 2014, and given the subjective nature of the valuations, an error in the valuation of one such investment could result in a material misstatement.

Our response: Our procedures included:

- documenting and assessing the design and implementation of the investment valuation processes and controls in place;
- discussion with the investment manager to assess their review of the investment valuations and review of the Valuation Committee minutes for justification of the valuation approach;
- assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations;
- challenge the investment manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the

International Private Equity and Venture Capital Valuation Guidelines. We challenged the appropriateness of the valuation bases selected as well as the underlying assumptions identified in the Valuation Committee minutes. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cashflows to understand whether borrowings can be serviced or whether refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;

- attending the year-end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations; and
- consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Carrying amount of quoted investments

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

The risk: The Company's quoted equity investment portfolio makes up 87% of total assets (by value) and is considered to be one of the key drivers of the Company's operations and performance results. 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 liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas 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 existence, completeness and valuation of the Company's quoted equity investment portfolio included, but were not limited to:

- documenting and assessing 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 £1.2m. This has been determined with reference to a benchmark of total assets (of which it represents 1%).

We agreed with the Audit Committee to report to it any corrected and uncorrected identified misstatements exceeding £60,000 in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was performed at the R&H Fund Services Limited office in Edinburgh.

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 Report of the Audit Committee set out on page 23 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 ten 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 report and responsibilities

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/auditscopeukco2014a, 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.

John Waterson

Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
20 Castle Terrace
Edinburgh
EH1 2EG

15 September 2015

Income Statement

	Notes	Year ended 30 June 2015			Year ended 30 June 2014		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	9	–	(23,454)	(23,454)	–	202	202
Exchange (losses)/gains		–	(117)	(117)	–	71	71
Income	2	5,839	–	5,839	5,399	–	5,399
Investment management fee	3	(274)	(821)	(1,095)	(318)	(955)	(1,273)
Other expenses	4	(483)	–	(483)	(485)	–	(485)
Net return before finance costs and taxation		5,082	(24,392)	(19,310)	4,596	(682)	3,914
Interest payable and similar charges	5	(375)	(1,869)	(2,244)	(393)	(1,872)	(2,265)
Net return on ordinary activities before taxation		4,707	(26,261)	(21,554)	4,203	(2,554)	1,649
Tax on ordinary activities	6	(592)	350	(242)	(560)	420	(140)
Net return attributable to equity shareholders		4,115	(25,911)	(21,796)	3,643	(2,134)	1,509
Return per ordinary share	8	6.15p	(38.75)p	(32.60)p	5.45p	(3.19)p	2.26p

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 2015 £'000	Year ended 30 June 2014 £'000
Opening equity shareholders' funds	106,929	109,094
(Losses)/gains on investments	(23,454)	202
Net return attributable to ordinary shareholders	4,115	3,643
Costs charged to capital	(2,340)	(2,407)
Exchange (losses)/gains	(117)	71
Dividends paid	(3,745)	(3,678)
Issue of ordinary shares	10	4
Closing equity shareholders' funds	81,398	106,929

Balance Sheet

	Notes	As at 30 June 2015 £'000	As at 30 June 2014 £'000
Fixed assets			
Investments	9	107,229	129,186
Current assets			
Debtors	10	1,332	1,217
Cash at bank and on deposit		11,333	14,539
		12,665	15,756
Creditors: amounts falling due within one year	11	(1,226)	(1,554)
Net current assets		11,439	14,202
3.5% Convertible Unsecured Loan Stock 2018	12	(37,270)	(36,459)
Net assets		81,398	106,929
Capital and reserves			
Called-up share capital	13	16,719	16,718
Special distributable reserve	14	30,386	30,386
Share premium	14	4,806	4,796
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	12/14	2,248	2,973
Capital reserve	14	20,568	45,757
Revenue reserve	14	6,671	6,299
Equity shareholders' funds		81,398	106,929
Net asset value per share	15	121.72p	159.90p

The financial statements on pages 28 to 44 were approved by the Board of Directors and authorised for issue on 15 September 2015 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 2015 £'000	Year ended 30 June 2014 £'000
Operating activities			
Investment income received		5,800	5,474
Deposit interest received		6	4
Other income received		–	35
Investment management fees paid		(1,120)	(1,274)
Other cash payments		(504)	(463)
Net cash inflow from operating activities	16	4,182	3,776
Servicing of finance			
Interest on bank facility/overdraft		(26)	(42)
Interest on 3.5% Convertible Unsecured Loan Stock 2018		(1,398)	(1,398)
Net cash outflow from servicing of finance		(1,424)	(1,440)
Taxation			
Tax refund		–	30
Capital expenditure and financial investment			
Purchases of investments		(94,733)	(64,077)
Disposals of investments		92,631	68,962
Net cash (outflow)/inflow from capital expenditure and financial investment		(2,102)	4,885
Dividends			
Equity dividends paid		(3,745)	(3,678)
Net cash (outflow)/inflow before financing		(3,089)	3,573
Financing			
Issue expenses on ordinary shares		–	–
Net cash outflow from financing		–	–
(Decrease)/increase in net cash	17	(3,089)	3,573
Reconciliation of net cash flow to movement in net cash			
(Decrease)/increase in cash in the year	17	(3,089)	3,573
Exchange (losses)/gains	17	(117)	71
Movement in net cash in the year		(3,206)	3,644
Opening net cash at 1 July		14,539	10,895
Closing net cash at 30 June	17	11,333	14,539

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

Notes to the Financial Statements

for the year to 30 June 2015

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

	2015 £'000	2014 £'000
Income from investments*		
UK dividend income	454	146
UK unfranked investment income	543	752
Preference share income	690	482
Overseas dividend income	1,762	1,420
Overseas interest	2,384	2,559
	5,833	5,359
Other income†		
Deposit interest	6	4
Other income	–	36
	6	40
Total income	5,839	5,399
Total income comprises:		
Dividends	2,906	2,048
Fixed interest securities	2,927	3,311
Deposit interest	6	4
Other income	–	36
	5,839	5,399

*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

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Investment management fee	274	821	1,095	318	955	1,273

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 £82,000 (2014: £107,000).

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

4 Other Expenses (including irrecoverable VAT)

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Secretarial and administration fees	87	–	87	88	–	88
Directors' fees	94	–	94	90	–	90
Auditor remuneration for:						
– statutory audit	24	–	24	23	–	23
– other services relating to taxation	14	–	14	9	–	9
Other	264	–	264	275	–	275
	483	–	483	485	–	485

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 £87,000 (2014: £88,000). The balance due to R&H for secretarial services at the year end was £Nil (2014: £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

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Interest on 3.5% Convertible Unsecured Loan Stock 2018	350	1,048	1,398	351	1,051	1,402
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	–	724	724	–	724	724
Amortisation of issue expenses	–	97	97	–	97	97
Bank overdraft	25	–	25	42	–	42
	375	1,869	2,244	393	1,872	2,265

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

6 Tax on Ordinary Activities

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Corporation tax	350	(350)	–	420	(420)	–
Corporation tax refund	–	–	–	(30)	–	(30)
Overseas taxation	242	–	242	170	–	170
Total tax charge/(credit)	592	(350)	242	560	(420)	140

Reconciliation of Tax Charge

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

	2015 Total £'000	2014 Total £'000
Return on ordinary activities before taxation	(21,554)	1,649
Corporation tax at standard rate of 20.75% (2014: 22.50%)	(4,473)	371
Effects of:		
Non taxable income	(627)	(526)
Non taxable (gains)/losses	4,867	(46)
Overseas withholding tax	242	171
Excess management expenses	209	216
Non deductible exchange (gains)/losses	24	(16)
Corporation tax refund	–	(30)
Current year tax charge	242	140

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 2015 the Company had surplus management expenses of £1,186,000 (2014: £977,000) which have not been recognised as a deferred tax asset.

7 Dividends

	2015 Revenue £'000	2014 Revenue £'000
Amounts recognised as distributions to equity holders in the year:		
– Fourth interim dividend for the year ended 30 June 2014 of 3.02p (2013 – 2.92p) per ordinary share	2,020	1,953
– First interim dividend for the year ended 30 June 2015 of 0.86p (2014 – 0.86p) per ordinary share	575	575
– Second interim dividend for the year ended 30 June 2015 of 0.86p (2014 – 0.86p) per ordinary share	575	575
– Third interim dividend for the year ended 30 June 2015 of 0.86p (2014 – 0.86p) per ordinary share	575	575
	3,745	3,678
Amounts relating to the year but not paid at the year end:		
– Fourth interim dividend for the year ended 30 June 2015 of 3.02p (2014 – 3.02p) per ordinary share	2,020	2,020

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

	2015 Revenue pence	2015 Capital pence	2015 Total pence	2014 Revenue pence	2014 Capital pence	2014 Total pence
Ordinary share	6.15p	(38.75)p	(32.60)p	5.45p	(3.19)p	2.26p

The revenue return per ordinary share is based on a net profit after taxation of £4,115,000 (2014: £3,643,000) and on a weighted average of 66,874,250 ordinary shares in issue during the year (2014: 66,872,434).

The capital return per ordinary share is based on a net capital loss of £25,911,000 (2014: a net capital loss of £2,134,000) and on a weighted average of 66,874,250 ordinary shares in issue during the year (2014: 66,872,434).

9 Investments

	2015 £'000	2014 £'000
Investments listed/quoted on a recognised investment exchange	104,458	123,409
Unquoted investments	2,771	5,777
	107,229	129,186
Equity shares	61,716	85,533
Fixed income securities	21,382	27,642
Preference shares	12,255	12,321
Treasury stock	10,491	–
Placings	1,067	1,756
Convertible securities	318	1,934
	107,229	129,186

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	2015 Total £'000	2014 Total £'000
Opening book cost	33,039	111,969	17,122	162,130	193,888
Opening fair value adjustment	455	(22,054)	(11,345)	(32,944)	(62,152)
Opening valuation	33,494	89,915	5,777	129,186	131,736
Purchases at cost	45,184	49,429	29	94,642	64,789
Conversions/transfers	–	1,476	(1,476)	–	–
Sales – proceeds	(38,448)	(53,864)	(833)	(93,145)	(67,340)
– realised gains/(losses)	3,803	(15,456)	(559)	(12,212)	(28,805)
Effective yield	(187)	–	–	(187)	(201)
Increase/(decrease) in fair value adjustment	1,699	(12,587)	(167)	(11,055)	29,208
Closing valuation	45,545	58,913	2,771	107,229	129,186
Closing book cost	43,578	93,554	14,283	151,415	162,331
Closing fair value adjustment	1,967	(34,641)	(11,512)	(44,186)	(33,145)
Closing valuation	45,545	58,913	2,771	107,229	129,186

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.

	2015 £'000	2014 £'000
(Losses)/gains on investments		
Realised losses on sale	(12,212)	(28,805)
Movement in fair value	(11,055)	29,208
Effective yield	(187)	(201)
(Losses)/gains on investments	(23,454)	202

During the year the Company incurred transaction costs on the purchases of £80,773 (2014: £114,867) and transaction costs on sales of £97,715 (2014: £127,513).

10 Debtors

	2015 £'000	2014 £'000
Amounts due from brokers	685	171
Prepayments and accrued income	636	1,035
VAT recoverable	11	11
	1,332	1,217

11 Creditors: Amounts Falling Due Within One Year

	2015 £'000	2014 £'000
Amounts due to brokers	561	839
Corporation tax	163	163
Other creditors	154	203
Interest on 3.5% Convertible Unsecured Loan Stock 2018	348	349
	1,226	1,554

Included within other creditors is £82,000 (2014: £107,000) 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	39,941	36,459	2,973
Amortisation of discount on issue and issue expenses	–	97	–
Transfer of CULS liability discount amortisation	–	724	(724)
Conversion during the year	(11)	(10)	(1)
Balance at the end of the year	39,930	37,270	2,248

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 16 October 2014, the Company issued 1,629 ordinary shares in connection with the exercise of £6,151 nominal of the Company's CULS. On 13 April 2015, the Company issued 1,314 ordinary shares in connection with the exercise of £4,964 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 2015, there was £39,929,660 nominal of CULS in issue.

13 Share Capital

	2015 Shares	2015 £'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 2014	66,872,822	16,718
Conversion of 3.5% Convertible Unsecured Loan Stock 2018		
– Issue of 1,629 ordinary shares on 16 October 2014	1,629	–
– Issue of 1,314 ordinary shares on 13 April 2015	1,314	1
Total issued ordinary shares of 25p each as at 30 June 2015	66,875,765	16,719

On 16 October 2014, the Company issued 1,629 ordinary shares in connection with the exercise of £6,151 nominal of the Company's CULS. On 13 April 2015, the Company issued 1,314 ordinary shares in connection with the exercise of £4,964 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 2014	30,386	4,796	2,973	45,757	6,299
Exchange gains	–	–	–	(117)	–
Losses on investments	–	–	–	(23,454)	–
Management fees charged to capital	–	–	–	(822)	–
Finance costs charged to capital	–	–	–	(1,869)	–
Taxation credited to capital	–	–	–	349	–
Dividends paid	–	–	–	–	(3,745)
Retained net revenue for the year	–	–	–	–	4,117
Transfer of CULS liability discount amortisation	–	–	(724)	724	–
Issue of ordinary shares	–	10	(1)	–	–
At 30 June 2015	30,386	4,806	2,248	20,568	6,671

The special reserve is available for the buying back of shares. £6,671,000 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 £81.4 million (2014: £106.9 million) and on 66,875,765 (2014: 66,872,822) 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

	2015 £'000	2014 £'000
Net return before finance costs and taxation	(19,310)	3,914
Losses/(gains) on investments	23,454	(202)
Effective yield	(187)	-
Withholding tax suffered	(242)	(171)
Decrease in accrued income	396	285
Increase/(decrease) in other debtors	3	(5)
(Decrease)/increase in other creditors	(49)	26
Exchange losses/(gains)	117	(71)
Net cash inflow from operating activities	4,182	3,776

17 Analysis of Changes in Net Cash

	At 30 June 2014 £'000	Cash flow £'000	Currency movements £'000	At 30 June 2015 £'000
Cash at bank and in hand	14,539	(3,089)	(117)	11,333
Total	14,539	(3,089)	(117)	11,333

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 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 3.5% Convertible Unsecured Loan Stock 2018 is not materially different from its 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 a 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 2015:

	2015 £'000	2014 £'000
Financial instruments		
Investment portfolio	107,229	129,186
Cash at bank and on deposit	11,333	14,539
Amounts due from brokers	685	171
Accrued income	619	1,016
Other debtors	28	30
Financial liabilities		
3.5% Convertible Unsecured Loan Stock 2018	37,270	36,459
Amounts due to brokers	561	839
CULS interest due	348	349
Other creditors	278	366

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 2015, the impact on the profit or loss and the net asset value would have been negative £10.7 million (2014: negative £12.9 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.

The Company's exposure to floating interest rates gives rise to cash flow interest rate risk and its exposure to fixed interest rates gives rise to fair value interest rate risk. 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 £25,000 (2014: £42,000). 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.

	2015 £'000	2015 Weighted average interest rate (%)*	2015 Weighted average period for which the rate is fixed (years)	2014 £'000	2014 Weighted average interest rate(%)*	2014 Weighted average period for which the rate is fixed (years)
Assets:						
Fixed income and convertible securities	22,113	11.6	8.7	29,576	9.5	9.1
Preference shares	12,255	9.7	n/a	12,321	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:

	2015 Investments £'000	2015 Cash £'000	2015 Net current assets/(liabilities) £'000	2015 Total £'000	2014 Investments £'000	2014 Cash £'000	2014 Net current assets £'000	2014 Total £'000
Canadian Dollar	26,778	352	131	27,261	51,750	(5)	(715)	51,030
Australian Dollar	19,763	(193)	(488)	19,082	23,928	(89)	228	24,067
US Dollar	12,692	450	301	13,443	11,914	5	312	12,231
Norwegian Krone	1,979	3	2	1,984	4,262	(133)	22	4,151
Euro	954	-	10	964	-	-	3	3
Swedish Krone	-	-	-	-	2,308	1	102	2,411
Swiss	-	1	-	1	-	1	-	1
BRL	-	3	-	3	-	-	-	-
	62,166	616	(44)	62,738	94,162	(220)	(48)	93,894

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 £3.1 million (2014: positive £4.7 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:

	2015 £'000	2014 £'000
Cash and cash equivalents	11,333	14,539
Balances due from brokers	685	171
Interest, dividends and other receivables	647	1,046
	12,665	15,756

Credit risk on fixed interest investments is considered to be part of market price risk. As at 30 June 2015 and as at 15 September 2015 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 2015 and as at 30 June 2014. No individual investment exceeded 8.6 per cent of net assets as at 30 June 2015 (2014: 7.4 per cent).

As at 30 June 2015, the Company held 3 per cent or more of issued share capital of the following companies:

	Number of ordinary shares held	Value £	Percentage held
Plant Impact	8,811,208	4,581,828	11.0%
Odyssey Energy	10,366,050	269,582	9.5%
Breaker Resources	6,250,000	147,205	9.1%
Manhattan (Uranio)	7,230,000	149,001	6.5%
Revelo Resources	4,364,663	245,171	4.8%
Hague London Oil	974,791	63,361	4.0%
Australian Oil	4,000,000	104,025	3.8%

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:

	2015 £'000	2014 £'000
Unquoted investments:		
Unquoted convertible securities that are convertible into listed securities	409	103
Unquoted equities (including placings)	2,234	4,769
Unquoted bonds	127	905
	2,770	5,777

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 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 an 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 2015, 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 (2014: £nil).

Glossary of Terms and Definitions

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Gearing	Total assets (as below) less all cash (including UK Treasury Stock) 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 (per the revenue column) 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 is divided by the number of shares in issue.
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.
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 In & Out (Naval and Military Club), No. 4 St. James's Square, London, SW1Y 4JU on Thursday, 26 November 2015 at 12.30pm 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 2015, 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 2015.
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 R Ö Prickett, who retires annually, as a Director.
7. To re-elect Mr A G Evans, who retires annually, as a Director.
8. To elect Mrs H F Green.
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 £1,670,222, such authorisation to expire at the conclusion of the next annual general meeting of the Company to be held in 2016, 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 £834,275 (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 2016 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 2016 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2016 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
15 September 2015

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 pm on 24 November 2015. 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 15 September 2015, the Company's issued share capital comprised 66,875,765 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 15 September 2015 is 66,875,765.
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

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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 G Evans
Helen F Green
Richard Ö Prickett*

Investment Manager

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

Secretary and Administrator

R&H Fund Services Limited
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Tel: 0131 524 6140

Solicitors

Maclay Murray & Spens LLP
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Financial Adviser and Corporate Broker

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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
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London SW1X 7HY

Registrars

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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 10p per minute plus your phone company's access charge. Calls from outside the UK will be charged at international rates. Other telephone provider costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday.



