city natural resources
high yield trust plc

Interim Report
31 December 2013

Investment Objective

The investment objective of the Company is 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. The Company aims to outperform, in total return terms, a composite benchmark which is weighted two-thirds to the HSBC World Mining Index (sterling adjusted) and one third to the Credit Suisse High Yield Index (sterling adjusted).

The Company may invest not more than 15% of its gross assets in other investment trusts and companies and may also invest a minority of the Company's gross assets in the convertible securities and bonds issued by commercial and investment companies.

Dividends

	Six months ended 31 December 2013 £'000	Six months ended 31 December 2013 Rate (pence)	Six months ended 31 December 2012 £'000	Six months ended 31 December 2012 Rate (pence)	Year ended 30 June 2013 £'000	Year ended 30 June 2013 Rate (pence)
Fourth interim dividend	**1,953**	**2.92**	1,685	2.52	1,685	2.52
First interim dividend	**575**	**0.86**	575	0.86	575	0.86
Second interim dividend	**–**	**–**	–	–	575	0.86
Third interim dividend	**–**	**–**	–	–	575	0.86
	2,528	**3.78**	2,260	3.38	3,410	5.10

A second interim dividend for the year to 30 June 2014, of 0.86 pence per share, will be paid on 28 February 2014 to shareholders on the register on 31 January 2014.

Dividends are paid quarterly in February, May, August and November.

Important Information

Past performance is not necessarily a guide to future performance. The value of investments and income from them may go down as well as up and is not guaranteed. Changes in rates of exchange may cause the value of investments to fluctuate. Net Asset Value performance is not linked to share price performance, and shareholders may realise returns that are lower or higher in performance.

If you have sold or otherwise transferred all of your ordinary shares in City Natural Resources High Yield Trust plc, please forward this document as soon as possible to the purchaser or transferee, stockbroker, bank, or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Fund Specific Warning

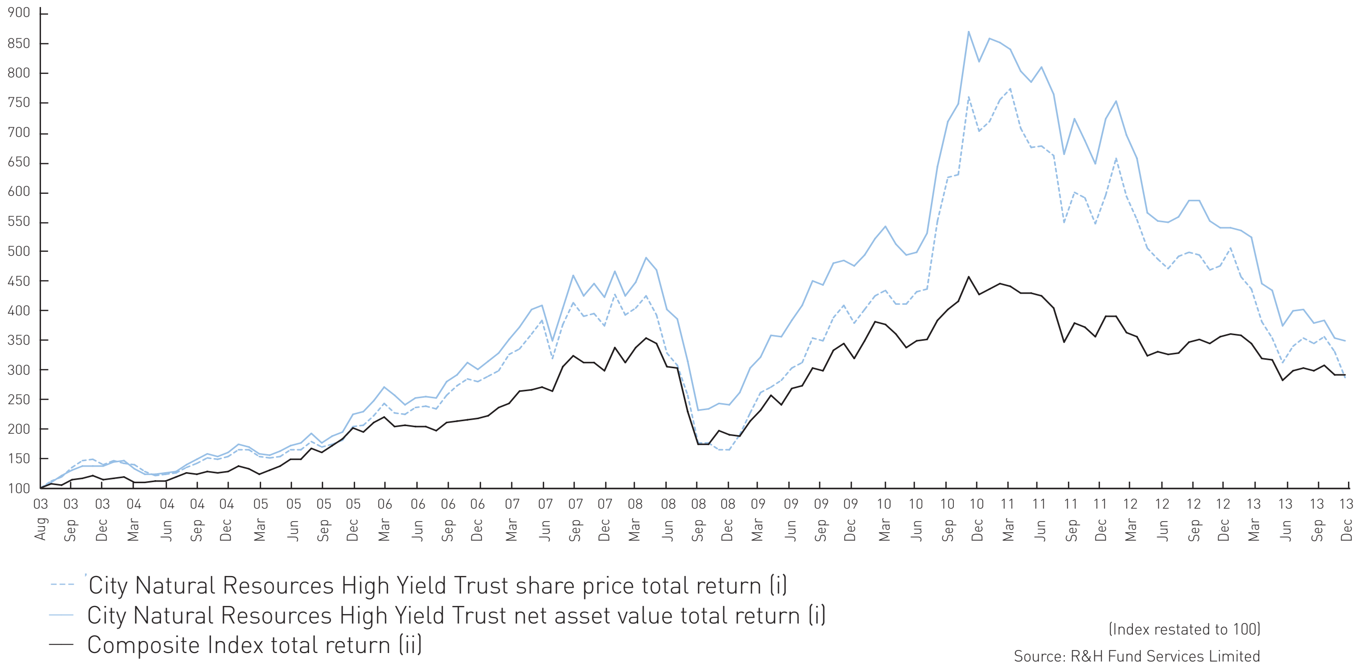
In some less developed stockmarkets there are risks from political, economic and regulatory instability. These risks include the possibility of various forms of punitive government intervention together with reduced levels of regulation, higher brokerage commissions, less reliable settlement and custody practices, higher market volatility and less reliable financial reporting. There is a lower level of correlation between mining to equity generally, and risks in gold, base metals and mining shares in general tend to be country specific in nature.

Financial Highlights

For the six months ended 31 December 2013

- Net asset value total return of -6.7 per cent since 1 July 2013 compared to a total return of 3.1 per cent from the benchmark index
- Share price total return of -8.3 per cent since 1 July 2013
- Ordinary share price discount of -18.9 per cent to net asset value at 31 December 2013

City Natural Resources High Yield Trust Net Asset Value Total Return and Share Price Total Return v Composite Index Total Return



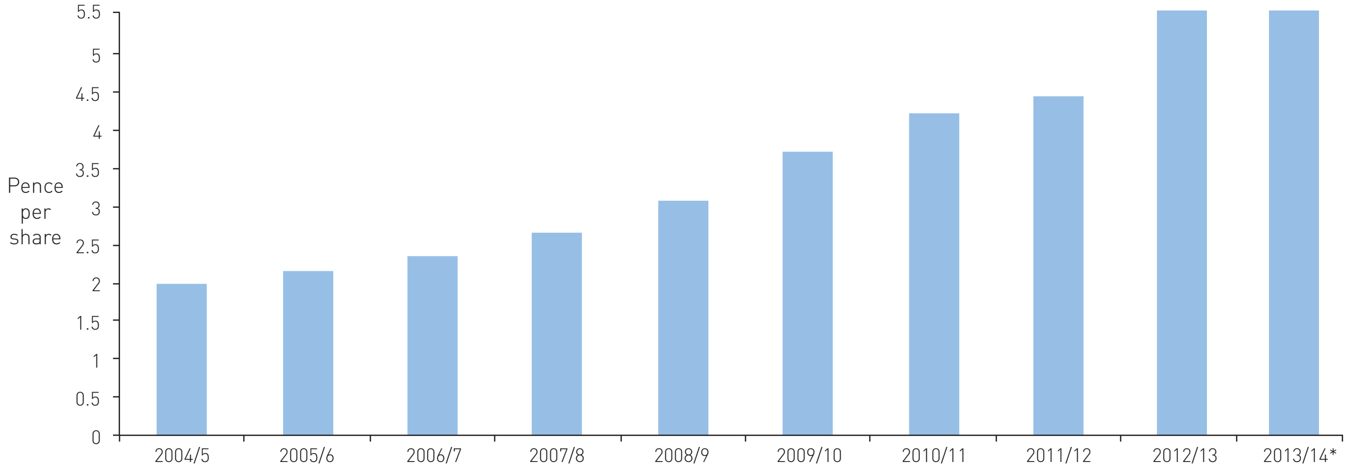
(Index restated to 100)

Source: R&H Fund Services Limited

(i) Net dividends reinvested.

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

Dividends declared in respect of each financial year



* 2013/14 assumes that the third interim dividend in respect of the financial year ended 30 June 2014 remains in line with the first and second interim payments paid for that year at 0.86 pence per share and that the fourth interim dividend is in line with the fourth interim dividend paid in respect of the financial year ended 30 June 2013 of 2.92 pence per share.

Source: R&H Fund Services Limited

Chairman's Statement

Introduction

The six months under review were a period of steady progress for the stock markets of the developed world, which hit their yearly highs in December. Sadly, this was not so in the emerging economies, many of whose markets suffered from a debilitating combination of declining share prices and falling currencies, with Sterling's strength a feature of the period. For commodity markets, the best that could be said was that the pace of decline slowed; thankfully the first part of 2014 has been more positive.

Investment and Share Price Performance

At 31 December 2013 your Company's net asset value ("NAV") stood at 148.9 pence, giving a NAV total return for the period of –6.7 per cent. The benchmark index delivered a total return of 3.1 per cent. The Company's share price performance was broadly in line with that of its net asset value, a total return of -8.3 per cent meaning that the discount at which the Company's shares trade widened a little from 17.2 per cent to 18.9 per cent. At the time of writing the discount is 13.5 per cent, below its average over both the medium and longer term of 16.2 per cent (1 year average) and 14.9 per cent (3 year average). Over the long term since the redirection of the Company in 2003, ordinary share price total return is 186.8 per cent, NAV total return is 250.7 per cent and benchmark total return is 192.4 per cent.

Will Smith and Ian Francis, our portfolio managers, cover the investment performance in more detail in their report below.

Income and Dividends

The Company's earnings declined from 3.15 pence per share to 2.51 pence for the six months to 31 December 2013. The single largest factor in this decline was the strength of sterling over the period, with the Australian and Canadian dollars down by more than 10 per cent. Whether this Sterling strength is justified over the medium term is an interesting question, but managing your Company's income remains a challenge in such volatile currency markets.

Two interim dividends of 0.86 pence per share have been paid in respect of this year, the same level as those paid last year. The total dividend of 5.50 pence per share for the 2012/2013 year was 13.9 per cent higher than that of the year before and represented an eighth successive year of dividend increases. This is a record that we are proud of.

The yield on the Company's shares is 4.1 per cent as I write.

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

The Company has £39.9 million nominal of CULS in issue. Gearing was generally maintained in the range of 20% to 25% of shareholders' funds during the period, 25% being the upper limit allowed under the Company's investment policy. It was 21.4% at the period end.

The Company's CULS price was almost unchanged over the period, falling 0.8% from 93.50 pence to 92.75 pence.

Investment Strategy and Outlook

January saw the US Federal Reserve begin the process of "tapering"; not tightening the money supply, but loosening it less quickly. Even this modest start on the path to financial continence was enough to unnerve global equity markets which gave up some of their 2013 gains. Commodity prices were steadier, with the confidence in a US, and indeed global, economic recovery signalled by the Federal Reserve's actions sufficient to quiet any other concerns. The gold price showed flickering signs of strength, perhaps reflecting a fear, shared by us, that the return to "normal" monetary conditions is most unlikely to be smooth, as evidenced by recent market volatility.

That said, and with whatever reservations, the global economy does appear to be in better shape than at any time since 2008. The Chinese economy continues to be of particular interest in the context of commodities, and here the indications are, if still equivocal, more positive than seemed likely a few months ago. The last two years have seen an enormous amount of capacity taken out of the commodity supply chain, and any increase in demand should provide a platform for a recovery in margins from a significantly lower cost base.

Chairman's Statement (continued)

Your Company's focus on the unique exposure that it provides to the less accessible areas of smaller mining and resource stocks remains unchanged, and it is this focus that your Board is confident will provide renewed outperformance when a sustained recovery does arrive.

Geoff Burns
Chairman

27 February 2014

Manager's Review

Like most resource investors, we were happy to see 2013 shrink into the distance in our rear view mirrors. Weak commodity prices and friendless resource stocks were in stark contrast to the strength of major equity indices globally, which also served to underline the sector's poor performance. All this in a year that showed the first real signs of global economic recovery since 2008.

We do believe that the world, and the resources sector, is in a better place than a year ago, when a resources sell-off was sparked by concerns over the health of the Chinese economy. Today, leading economic indicators such as PMI numbers, point to widespread, if not yet robust, growth across both emerging and developed markets.

For now, commodity markets are broadly in balance, but the industry activity of the last two years – cutting capital expenditure and shelving new projects – will undoubtedly constrain future supply and force prices higher.

The last year saw companies battling to maintain margins in the face of falling commodity prices, a difficult process as energy and labour costs remained elevated. There is increasing evidence that companies are now managing to reduce costs to a more appropriate level. Exhibit One being the pain in the resource services providers.

Much of the cash flow generated during the commodity bull market up to 2011 was spent on expensive new projects, M&A sprees, and increased rewards for employees, contractors and management groups, but increasingly we are conscious of a new focus on shareholder returns within the sector. This has yet to materialise on shareholders' doormats in the form of dividend cheques, but an increasing number of companies are outlining aggressive future dividend policies, recognising that income is one way to attract generalist investors back to the sector.

Within the portfolio, the weighting of the unconventional oil and gas producers remains high. This is not just because oil has been one of our preferred commodities during the year, but also because technology has been improving the margins of these companies in a way not seen across the wider resources space. Longer lateral wellbores, micro-seismic monitoring and multi well pad drilling are all helping to drive down production costs. This group are also the most consistent dividend payers across the resources market, and it was encouraging that Vermilion Energy, Surge Energy, PHX Energy Services and Bonterra Energy were all able to increase their dividends in the second half.

The actions of many oil companies, such as Exxon, Apache, Anadarko, and Marathon in aggressively repatriating capital back to the US shales and away from offshore and frontier exploration is a strong pointer to the better economics of these plays. Their repeatable, geologically predictable nature is in sharp contrast to the high risk, high cost world of deepwater exploration which has seen little success, globally, over the last three years. Currently, unconventional oil and gas production is largely limited to North America, but we believe that shale plays outside North America will shortly be in focus. South America appears to be the most likely location and as suggested by the last six month's performance of Canacol Energy, which has projects in Colombia, up 146%, and America Petrogas operating in Argentina, up 93%.

The gold price did not revisit the depths achieved in June, but this performance was little comfort to the equities who all marked new lows in December. The pace of ETF liquidation, the main driver of last year's falls, has slowed markedly, and with Chinese demand remaining strong, up 41% year on year, the gold market is looking much more firmly based. After the savage falls of the last year, the senior gold companies are having to regroup and repair some extended balance sheets. This has led to a buyers' market as assets are disposed of and has provided opportunities for the likes of Northern Star Resources and Saracen Minerals to acquire potentially transformational projects. Having seen a dearth of M&A activity in 2013, there are definite signs of a resurgence. The Company has already seen Rockgate Capital, Ampella Mining and PMI Gold exit to bids and we would expect the pace of activity to continue, especially if valuations remain depressed.

Despite fluctuating government bond markets on both sides of the Atlantic, the fixed interest portfolio at the core of the income producing element of the Company was stable, with very little turnover. The main sales were Arcelor 8 ¾% perpetual at a premium price above 106 to avoid the imminent danger of the bond being called at par (which it was later) and the Skipton 10% 2018 bond at the end of the period, as the building society exercised its call ending a solid sterling income stream.

The bonds used to replace the above were, Iona 9.5% 2018 1st lien bond, Bluewater Holdings 10% 2019 senior secured bond, and General Exploration 11.5% secured bond 2018, all US$ denominated and in various areas of the Oil and Gas markets. We continue to manage the fixed interest element of the portfolio aiming to generate income with low turnover and where possible looking to enhance capital values as well.

After suffering two long years of underperformance, the resource investors can take encouragement from the improvement in the global economy and stabilisation of commodity prices. Combine that with the trough valuations particularly prevalent amongst the small and mid-cap companies that we specialise in and the underweight position of the generalist investor, the prospects for the sector would appear, finally, to be much more constructive.

Will Smith
Ian Francis
New City Investment Managers

27 February 2014

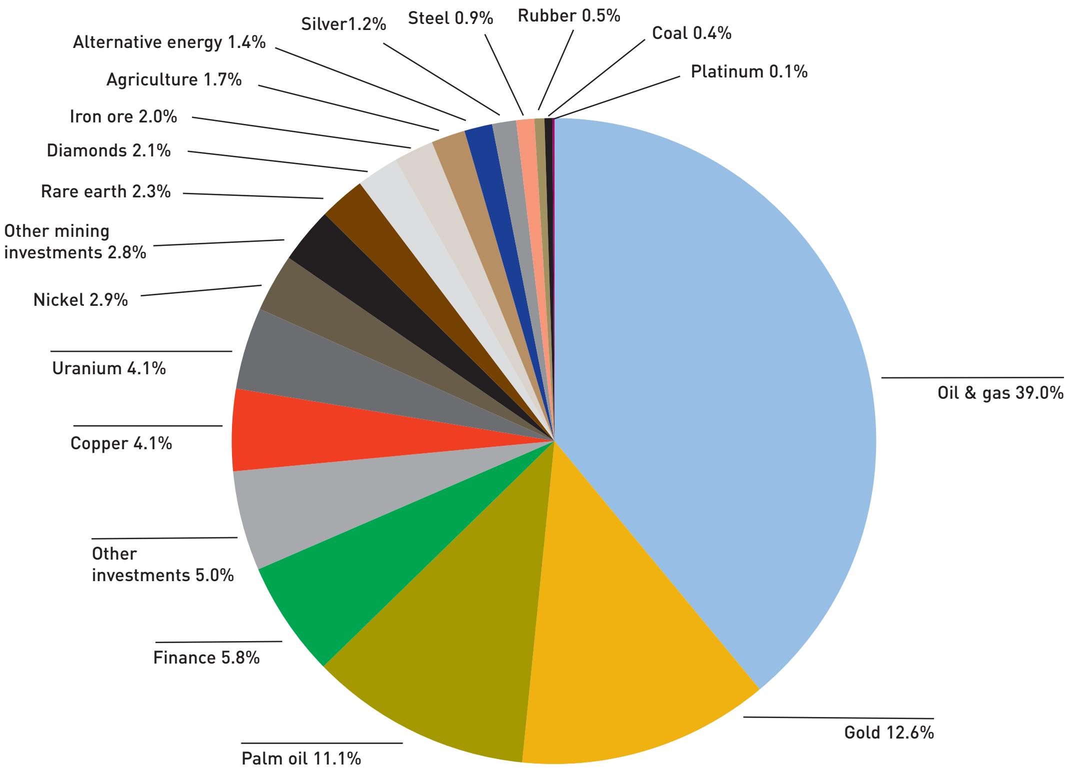
Classification of Investments by Stock Market Quotation

	As at 31 December 2013 % of total investments	As at 31 December 2012 % of total investments	As at 30 June 2013 % of total investments
Canada	**34.2**	32.9	32.5
United Kingdom	**26.1**	20.7	25.1
Australia	**17.1**	27.8	18.6
Europe	**13.2**	10.1	14.0
United States	**3.2**	2.8	2.5
Hong Kong	**–**	0.4	0.5
Papua New Guinea	**0.1**	0.1	0.1
Unquoted	**6.1**	5.2	6.7
Total investments	**100.0**	**100.0**	**100.0**

Sector Split by Resources

	As at 31 December 2013 % of total investments	As at 31 December 2012 % of total investments
Oil & gas	39.0	24.6
Gold	12.6	26.0
Palm oil	11.1	8.1
Finance	5.8	5.1
Other investments	5.0	3.8
Copper	4.1	6.3
Uranium	4.1	5.5
Nickel	2.9	1.3
Other mining investments	2.8	2.4
Rare earth	2.3	3.4
Diamonds	2.1	0.7
Iron ore	2.0	3.9
Agriculture	1.7	1.4
Alternative energy	1.4	0.4
Silver	1.2	3.9
Steel	0.9	0.9
Rubber	0.5	0.7
Coal	0.4	1.4
Platinum	0.1	0.2
	100.0	100.0

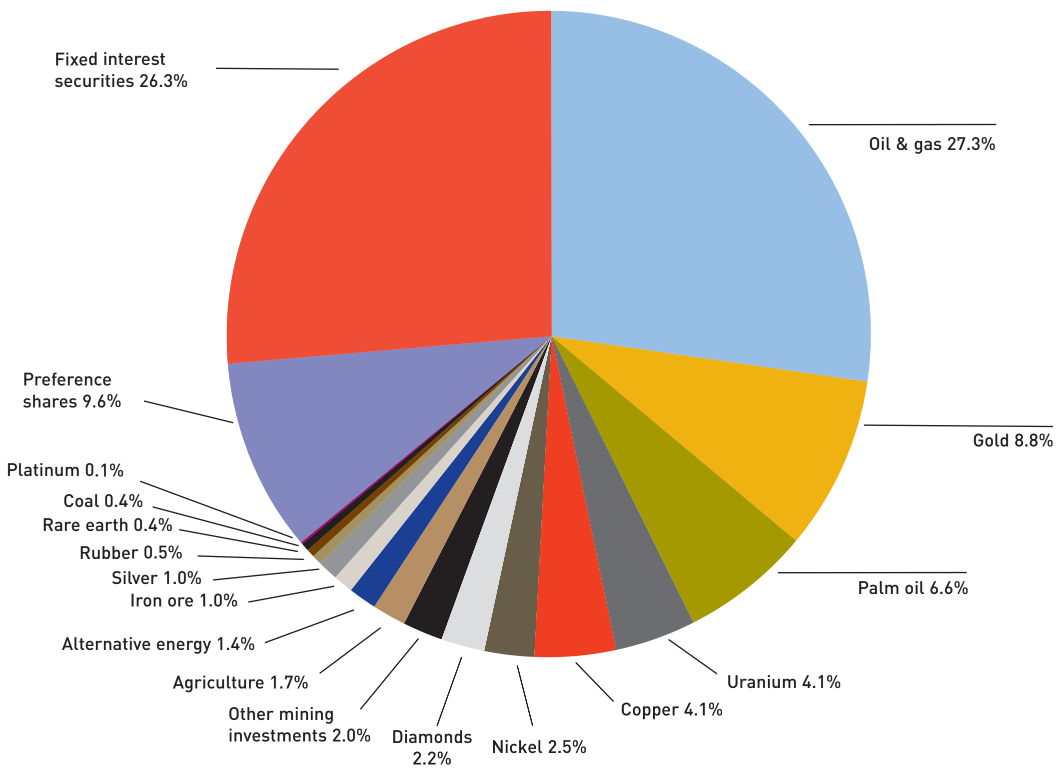
As at 31 December 2013



Sector Split by Resources including Fixed Interest Securities

	As at 31 December 2013 % of total investments	As at 31 December 2012 % of total investments
Oil & gas	**27.3**	15.5
Gold	**8.8**	23.6
Palm oil	**6.6**	5.4
Uranium	**4.1**	5.3
Copper	**4.1**	6.3
Nickel	**2.5**	1.0
Diamonds	**2.2**	0.7
Other mining investments	**2.0**	1.2
Agriculture	**1.7**	1.4
Alternative energy	**1.4**	0.7
Iron ore	**1.0**	1.4
Silver	**1.0**	3.7
Rubber	**0.5**	0.7
Rare earth	**0.4**	2.3
Coal	**0.4**	1.4
Platinum	**0.1**	0.2
Preference shares	**9.6**	5.9
Fixed interest securities	**26.3**	23.3
	100.0	**100.0**

As at 31 December 2013



city natural resources

Income Statement

For the six months ended 31 December 2013

	Note	Six months ended 31 December 2013 (unaudited) Revenue £'000	Capital £'000	Total £'000	Six months ended 31 December 2012 (unaudited) Revenue £'000	Capital £'000	Total £'000	Year ended 30 June 2013 (audited) Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	–	(7,582)	(7,582)	–	(4,042)	(4,042)	–	(53,075)	(53,075)
Exchange gains/(losses)		–	171	171	–	(1)	(1)	–	(95)	(95)
Income	4	2,549	–	2,549	3,196	–	3,196	6,415	–	6,415
Investment management fee		(163)	(490)	(653)	(251)	(752)	(1,003)	(459)	(1,377)	(1,836)
Other expenses		(226)	–	(226)	(246)	–	(246)	(509)	–	(509)
Net return before finance costs and taxation		2,160	(7,901)	(5,741)	2,699	(4,795)	(2,096)	5,447	(54,547)	(49,100)
Interest payable and similar charges		(194)	(940)	(1,134)	(183)	(935)	(1,118)	(363)	(1,865)	(2,228)
Net return on ordinary activities before taxation		1,966	(8,841)	(6,875)	2,516	(5,730)	(3,214)	5,084	(56,412)	(51,328)
Tax on ordinary activities		(288)	191	(97)	(407)	348	(59)	(844)	723	(121)
Net return attributable to equity shareholders	5	1,678	(8,650)	(6,972)	2,109	(5,382)	(3,273)	4,240	(55,689)	(51,449)
Return per ordinary share	5	2.51p	(12.94)p	(10.43)p	3.15p	(8.05)p	(4.90)p	6.34p	(83.28)p	(76.94)p

All revenue and capital items in the above statement derived from continuing operations.

The total column in the above statement is the profit and loss account of the Company.

All of the profit/(loss) for the period is attributable to the owners of the Company.

Amounts recognised as dividends in the period

	Six months ended 31 December 2013 (unaudited) £'000	Six months ended 31 December 2012 (unaudited) £'000
Fourth interim dividend for the year ended 30 June 2012 of 2.52p per share	–	1,685
First interim dividend for the year ended 30 June 2013 of 0.86p per share	–	575
Fourth interim dividend for the year ended 30 June 2013 of 2.92p per share	1,953	–
First interim dividend for the year ended 30 June 2014 of 0.86p per share	575	–
	2,528	2,260

Balance Sheet

As at 31 December 2013

	Notes	As at 31 December 2013 (unaudited) £'000	As at 31 December 2012 (unaudited) £'000	As at 30 June 2013 (audited) £'000
Fixed assets				
Investments		**120,707**	188,932	131,736
Current assets				
Debtors		**796**	1,064	3,119
Cash at bank and on deposit		**14,869**	4,395	10,895
		15,665	5,459	14,014
Creditors: amounts falling due within one year		**(724)**	(738)	(1,013)
Net current assets		**14,941**	4,721	13,001
3.5% Convertible Unsecured Loan Stock 2018	7	**(36,049)**	(35,236)	(35,643)
Net assets		**99,599**	**158,417**	**109,094**
Capital and reserves				
Called-up share capital		**16,718**	16,718	16,718
Special distributable reserve	8	**30,386**	30,386	30,386
Share premium	8	**4,797**	4,787	4,791
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	8	**3,335**	4,061	3,698
Capital reserve	8	**38,879**	97,112	47,167
Revenue reserve	8	**5,484**	5,353	6,334
Equity shareholders' funds	6	**99,599**	**158,417**	**109,094**
Net asset value per share	6	**148.94p**	**236.90p**	**163.14p**

Reconciliation of Movements in Shareholders' Funds

	Six months ended 31 December 2013 (unaudited) £'000	Six months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Opening equity shareholders' funds	**109,094**	163,946	163,946
Return on ordinary activities after taxation	**(6,972)**	(3,273)	(51,449)
Issue of ordinary shares	**5**	4	7
Dividends paid	**(2,528)**	(2,260)	(3,410)
Closing equity shareholders' funds	**99,599**	**158,417**	**109,094**

Condensed Cash Flow Statement

For the six months ended 31 December 2013

	Six months ended 31 December 2013 (unaudited) £'000	Six months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Net cash inflow from operating activities	**2,096**	2,302	4,054
Net cash outflow from servicing of finance	**(712)**	(708)	(1,413)
Net cash inflow/(outflow) from financial investment	**4,948**	(9,210)	(2,511)
Equity dividends paid	**(2,528)**	(2,260)	(3,410)
Net cash inflow/(outflow) before financing	**3,804**	(9,876)	(3,280)
Issue expenses on ordinary shares	**(1)**	(5)	(7)
Increase/(decrease) in cash	**3,803**	**(9,881)**	**(3,287)**
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash	**3,803**	(9,881)	(3,287)
Exchange gains/(losses)	**171**	(1)	(95)
Movement in net cash in the period	**3,974**	(9,882)	(3,382)
Opening net cash at 1 July	**10,895**	14,277	14,277
Closing net cash at 31 December/30 June	**14,869**	**4,395**	**10,895**
Represented by:			
Cash at bank	**14,869**	4,395	10,895
	14,869	**4,395**	**10,895**
Reconciliation of operating revenue to net cash flow from operating activities			
Net return before finance costs and taxation	**(5,741)**	(2,096)	(49,100)
Losses on investments	**7,582**	4,042	53,075
Withholding tax suffered	**(97)**	(59)	(121)
Decrease in accrued income	**538**	428	148
(Increase)/decrease in other debtors	**(6)**	3	21
Decrease in other creditors	**(9)**	(17)	(64)
Exchange (gains)/losses	**(171)**	1	95
Net cash inflow from operating activities	**2,096**	**2,302**	**4,054**

Investment Portfolio

As at 31 December 2013

Company	Sector	Valuation £'000	Net assets %
REA Holdings (Note 1)	Palm oil	7,647	7.7
Vermilion Energy	Oil & gas	5,666	5.7
New Britain Palm Oil	Palm oil	4,231	4.2
Sirius Resources	Nickel	2,996	3.0
Surge Energy	Oil & gas	2,677	2.7
ARC Resources	Oil & gas	2,516	2.5
Sandfire Resources	Copper	2,088	2.1
Diamorph 12% 06/07/2017	Other investments	2,056	2.1
Ocean Rig UDW 9.5% 27/04/2016	Oil & gas	1,987	2.0
Antares Energy 10% 30/10/2023	Oil & gas	1,904	1.9
Top 10 investments		33,768	33.9
Denison Mines	Uranium	1,894	1.9
Crescent Point Energy	Oil & gas	1,874	1.9
Raven Russia 12% preference shares	Property	1,855	1.9
Bonterra Energy	Oil & gas	1,846	1.8
DeeThree Exploration	Oil & gas	1,784	1.8
Fission Uranium	Uranium	1,658	1.7
APA Group	Oil & gas	1,616	1.6
Great Western Minerals (Note 2)	Rare Earth	1,589	1.6
PHX Energy Services	Oil & gas	1,579	1.6
Mountain Province Diamonds	Diamonds	1,552	1.5
Top 20 investments		51,015	51.2
Canacol Energy	Oil & gas	1,517	1.5
Bluewater Holding 10% 10/12/2019	Oil & gas	1,517	1.5
Iona Energy 9.5% 27/09/2018	Oil & gas	1,502	1.5
Asian Plantations	Palm oil	1,501	1.5
National Westminister 9.0% preference shares	Finance	1,456	1.5
Detnor 9.75% 28/01/2016	Oil & gas	1,353	1.4
Polar Star Mining	Copper	1,288	1.3
Santander Finance 10.375% preference shares	Finance	1,250	1.3
Skipton Building Society 6.75% 30/05/2022	Finance	1,228	1.2
Toros *	Mining	1,207	1.2
Top 30 investments		64,834	65.1
Eldorado Gold	Gold	1,197	1.2
Baytex Energy	Oil & gas	1,180	1.2
Ecclesiastical Insurance 8.625% preference shares	Finance	1,150	1.2
Crown Holdings 8.6067% FRN 14/09/2072	Other investments	1,149	1.1
Freeport-Mcmoran Copper	Copper	1,139	1.1
Plant Impact	Agriculture	1,086	1.1
Golden Close Marit 11% 09/12/2015	Gold	1,085	1.1
Cathedral Energy	Oil & gas	1,076	1.1
PMI Gold	Gold	1,056	1.1
Welltec 8% 01/02/2019	Oil & gas	1,050	1.0
Top 40 investments		76,002	76.3
Kennady Diamonds	Diamonds	1,029	1.0
Louis Dreyfus 8.25% 29/12/2049	Varius	987	1.0
Balfour Beatty 10.75% preference shares	Other investments	986	1.0
European Gas *	Oil & gas	983	1.0
Chloe Marine Demtro 12% 28/12/2016	Oil & gas	981	1.0
Dannemora Mineral 11.75% 22/03/2016	Iron ore	966	1.0
Brit Insurance 6.625% 09/12/2030	Finance	955	1.0
Tizir 9% 28/09/2017	Mineral sands	940	0.9
Trafigura Beheer 7.625% 29/10/2049	Finance	920	0.9
APT Pipelines 8.13% FRN 30/09/2072	Oil & gas	910	0.9
Top 50 investments		85,659	86.0

Investment Portfolio (continued)

As at 31 December 2013

Company	Sector	Valuation £'000	Net assets %
Union Agriculture Group *	Agriculture	909	0.9
Union Minerals Group *	Base metals	906	0.9
Fortuna Silver Mines	Silver	852	0.9
Canyon Services Group	Oil & gas	818	0.8
Polarcus 8% 07/06/2018	Oil & gas	807	0.8
Aurora Oil & Gas	Oil & gas	784	0.8
Greencoat UK Wind	Alternative energy	757	0.8
Fresnillo	Precious metals	742	0.7
Fastnet Oil & Gas	Oil & gas	736	0.7
New Gold (Note 3)	Gold	697	0.7
Top 60 investments		93,667	94.0
Australian Agricultural	Alternative energy	674	0.7
Petroamerica Oil (Note 4)	Oil & gas	656	0.7
Lake Shore Gold 6.25% 30/09/2017	Gold	656	0.7
Arcelormittal 8.75% perpetual	Steel	655	0.7
STE International Plantation Heveas	Rubber	653	0.6
Norwegian Energy (Note 5)	Oil & gas	651	0.6
Gran Colombia Gold (Note 6) *	Gold	604	0.6
General Exploration 11.5% 13/11/2018	Gold	602	0.6
Ferrous Resources *	Iron ore	601	0.6
Continental Gold	Gold	573	0.6
Top 70 investments		99,992	100.4
Beadell Resources	Gold	568	0.6
Golden Prospect Precious Metals (Note 7)+	Gold	564	0.6
Mineral Deposits	Gold	554	0.6
Sherritt International 8% 15/11/2018	Nickel	551	0.6
Cayden Resources (Note 8)	Gold	540	0.5
Diamondback Energy	Oil & gas	523	0.5
Advance Energy (Note 9)	Oil & gas	520	0.5
Horizon Oil	Oil & gas	512	0.5
SM Energy	Oil & gas	502	0.5
Rose Petroleum 8% 31/03/2017 *	Gold	500	0.5
Top 80 investments		105,326	105.8
Other investments		15,381	15.4
Total investments		120,707	121.2
Net current assets		14,941	15.0
3.5% Convertible Unsecured Loan Stock 2018		(36,049)	(36.2)
Net assets		**99,599**	**100.0**

Note 1 - Includes REA Holdings valued at £2,200,000, REA Holdings 9% preference shares valued at £4,926,764 and REA Finance 9.5% 31/12/2017 valued at £520,000.
Note 2 - Includes Great Western Minerals valued at £318,519, Great Western Minerals 8% Cv 06/04/2017 valued at £1,270,830 and warrants valued at £nil.
Note 3 - Includes New Gold valued at £628,502 and warrants valued at £68,780.
Note 4 - Includes Petroamerica Oil valued at £190,369, Petroamerica Oil 11.5% 19/04/2015* valued at £465,978 and warrants* valued at £6.
Note 5 - Includes Norwegian Energy 6.75% 9/12/2020 valued at £383,105 and Norwegian Energy 6% 9/12/2016 valued at £125,517 and Norwegian Energy 4% 9/12/2018 valued at £142,452.
Note 6 - Includes Gran Colombia Gold 10% 31/10/2017 valued at £603,810 and Gran Colombia Gold warrants valued at £107.
Note 7 - Includes Golden Prospect Precious Metals valued at £562,151 and subscription shares valued at £2,098.
Note 8 - Includes Cayden Resources valued at £539,852 and Cayden Resources warrants* valued at £nil.
Note 9 - Includes Advance Energy valued at £75,145 and Advance Energy Cv 9.5% 04/01/2015* valued at £444,473.

* Denotes an unquoted security
\+ Denotes a related party investment
FRN - Floating rate note

Notes to the Accounts

1. The unaudited interim results which cover the six months to 31 December 2013 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 30 June 2013.

2. A first interim dividend of 0.86p per share was paid on 29 November 2013. A second interim dividend of 0.86p per share will be paid on 28 February 2014.

3. Included within losses on investments for the period ended 31 December 2013 are realised losses of £20,140,000 and unrealised gains of £12,558,000.

4. The breakdown of income for the six months to 31 December 2013, 31 December 2012 and the year to 30 June 2013 was as follows:

	Six months ended 31 December 2013 £'000	Six months ended 31 December 2012 £'000	Year ended 30 June 2013 £'000
Income from investments:			
UK dividends	**40**	35	75
Overseas dividends	**688**	625	1,125
Preference share income	**454**	453	906
Interest on fixed interest securities	**1,362**	2,065	4,290
	2,544	3,178	6,396
Other income:			
Deposit interest	**2**	1	2
Other income	**3**	17	17
Total income	**2,549**	3,196	6,415

5. The revenue return per ordinary share is based on a net profit after tax of £1,678,000 (31 December 2012 – £2,109,000 and 30 June 2013 – £4,240,000) and on a weighted average of 66,872,052 ordinary shares (31 December 2012 – 66,868,780 and 30 June 2013 – 66,869,778).

   The capital return per ordinary share is based on a net capital loss after tax of £8,650,000 (31 December 2012 – a loss of £5,382,000 and 30 June 2013 – a loss of £55,689,000) and on a weighted average of 66,872,052 ordinary shares (31 December 2012 – 66,868,780 and 30 June 2013 – 66,869,778).

6. The net asset value per ordinary share is based on net assets at the period end of £99,599,000 (31 December 2012 – £158,417,000, 30 June 2013 – £109,094,000) and on 66,872,822 (31 December 2012 – 66,870,317 and 30 June 2013 – 66,871,406) ordinary shares, being the number of ordinary shares in issue at the period end. The net asset value per ordinary share at 31 December 2013 was 148.94p.

7. **3.5% Convertible Unsecured Loan Stock 2018**

	Number of units £'000	Liability component £'000	Equity component £'000
Balance at the beginning of the period	39,946	35,643	3,698
Amortisation of discount on issue and issue expenses	–	48	–
Transfer of CULS liability discount amortisation	–	362	(362)
Conversion during the period	(5)	(4)	(1)
Balance at the end of the period	**39,941**	**36,049**	**3,335**

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

Once 80% of the 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 each year, commencing 31 March 2012. 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 31 December 2013, there was £39,940,775 nominal of CULS in issue.

8. **Reserves**

	Special reserve £'000	Share premium £'000	Equity element of CULS £'000	Capital reserve £'000	Revenue reserve £'000
At 30 June 2013	30,386	4,791	3,698	47,167	6,334
Exchange gains	–	–	–	171	–
Losses on investments	–	–	–	(7,582)	–
Management fees charged to capital	–	–	–	(490)	–
Finance costs charged to capital	–	–	–	(940)	–
Taxation credited to capital	–	–	–	191	–
Dividends paid	–	–	–	–	(2,528)
Retained net revenue for the period	–	–	–	–	1,678
Transfer of CULS liability discount amortisation	–	–	(362)	362	–
Issue of ordinary shares	–	6	(1)	–	–
At 31 December 2013	**30,386**	**4,797**	**3,335**	**38,879**	**5,484**

9. The Company's Investment Manager is CQS Cayman Limited Partnership ("CQS") which in turn has delegated this function to its wholly owned subsidiary New City Investment Managers ("NCIM"). 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. During the period investment management fees of £653,000 were incurred, of which £99,000 was payable at the period end.

As at 31 December 2013, the Company held shares in New City Energy and Golden Prospect Precious Metals; these two investment companies are also managed by the Investment Manager. The valuations of these holdings are deducted from gross assets when calculating the management fee.

Notes to the Accounts (continued)

10. 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 operation 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 this report.

11. The results for the six months ended 31 December 2013 and 31 December 2012, which have not been reviewed by the Company's auditors pursuant to the Auditing Practices Board guidance on "Review of Interim Financial Information", constitute non-statutory accounts in terms of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 June 2013; the report of the auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The abridged financial statements shown above for the year ended 30 June 2013 are an extract from those accounts.

12. The report and accounts for the half-year ended 31 December 2013 will be posted to shareholders and made available on the website www.ncim.co.uk. Copies may also be obtained from the Company Secretary, R&H Fund Services Limited, 15-19 York Place, Edinburgh, EH1 3EB.

R&H Fund Services Limited
Secretaries

27 February 2014

Directors' Statement of Principal Risks and Uncertainties

The Company's assets consist principally of listed equities and fixed interest securities and its principal risks are therefore market related. The Company is also exposed to currency risk in respect of the markets in which it invests. Other key risks faced by the Company relate to investment and strategic, sector, financial, earnings and dividend, operational and regulatory. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal risks and risk mitigation' within the Directors' Report and Business Review contained within the Company's annual report and accounts for the year ended 30 June 2013. The Company's principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the rest of the Company's financial year.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with the Statement 'Half-Yearly Financial Reports' issued by the UK Accounting Standards Board and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Chairman's Statement together with the Statement of Principal Risks and Uncertainties above include a fair review of the information required by the Disclosure and Transparency Rules ("DTR") 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements; and
- the financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Geoff Burns
Chairman

27 February 2014

Shareholder Information

Retail Plan Savers

The shares of City Natural Resources High Yield Trust plc are listed on the Official List and traded on the London Stock Exchange and private investors can buy and sell shares by placing an order either directly with a stockbroker or through an Independent Financial Adviser. Alternatively, investments can be made through the New City Investment Managers Individual Savings Account (''ISA'') or Investment Plan. Details of these can be obtained from Halifax Share Dealing Limited ("HSDL") on 0845 850 0181.

The Board believes investment costs for Shareholders should be kept as low as possible. No charges are therefore made by the Company to Shareholders using the retail plans.

The Investment Plan

The Investment Plan accepts lump sums or regular monthly payments for investment in the Company's shares. The Plan will accept lump sum investments with a minimum of £1,000 or regular investments with a minimum of £100 a month. There is no maximum investment. You can elect to have dividends reinvested into your plan to buy further shares or paid into your nominated bank account.

The ISA

The ISA is a way of investing money without having to pay income or capital gains tax on any profits made or dividend income received. Up to £11,520 may be invested in an ISA for the 2013/14 tax year and £11,880 for the 2014/15 tax year. You may invest either a lump sum or regular monthly savings, subject to the following amounts. The ISA will accept lump sum investments with a minimum of £1,000 or regular investments with a minimum of £100 a month. You can invest additional lump sums of £500 or more and can increase your monthly savings at any time. You can elect to have dividends reinvested into your ISA to buy further shares or paid into your nominated bank account.

Investments may only be made in cash unless you are transferring qualifying investments held in an ISA from another ISA manager. Shares are acquired for ISAs either in the stockmarket or, where appropriate, through the issuing of new shares by the Companies at no less than 101% of the net asset value ("NAV"), whichever method would be cheaper to the investor.

Transfer of other ISAs into the New City Investment Managers ISA

An ISA may be transferred from other ISA managers. Details are available from HSDL.

Disposal of Shareholdings

Holders of shares within the Investment Plan or ISA may sell their shares at any time without incurring any stockbroking costs. Details are available from HSDL.

Net Asset Value/Share price

The net asset value of the Company's ordinary shares may be obtained by contacting NCIM on 0207 201 5369 or by email at clientservice@cqsm.com or alternatively by visiting the Company's web site at www.ncim.co.uk.

Corporate Information

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** **Richard Ö Prickett***	
Investment Manager	**New City Investment Managers** 5th Floor 33 Grosvenor Place London SW1X 7HY	**CQS Cayman Limited Partnership** Ugland House South Church Street George Town, KY1-1104 Grand Cayman Cayman Islands
Secretary	**R&H Fund Services Limited** 15-19 York Place Edinburgh EH1 3EB Tel: 0131 524 6140	
Solicitors	**Maclay Murray & Spens** One London Wall London EC2Y 5AB	
Financial Adviser and Sponsor	**Cantor Fitzgerald Europe** One Churchill Place Canary Wharf London E14 5RB	
Auditors	**KPMG Audit Plc** 20 Castle Terrace Edinburgh EH1 2EG	
Bankers and Custodian Bankers	**HSBC Bank plc** 8 Canada Square London E14 5HQ	
Registrars	**Equiniti** Aspect House Spencer Road, Lancing West Sussex BN99 6DA Shareholder Helpline: 0871 384 2410** Shareholder helpline overseas: +44 121 415 7047	
Website	www.ncim.co.uk	

* Chairman of the Audit Committee

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Lines open 8.30am to 5.30pm, Monday to Friday.

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