CQS Natural
Resources Growth
and Income PLC

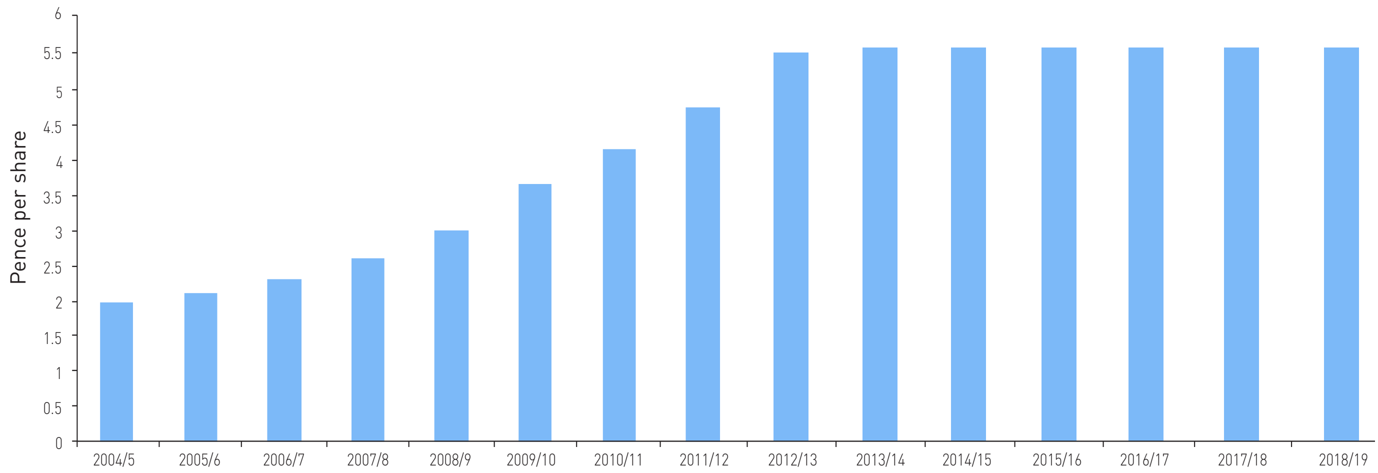



Annual Report

30 June 2019

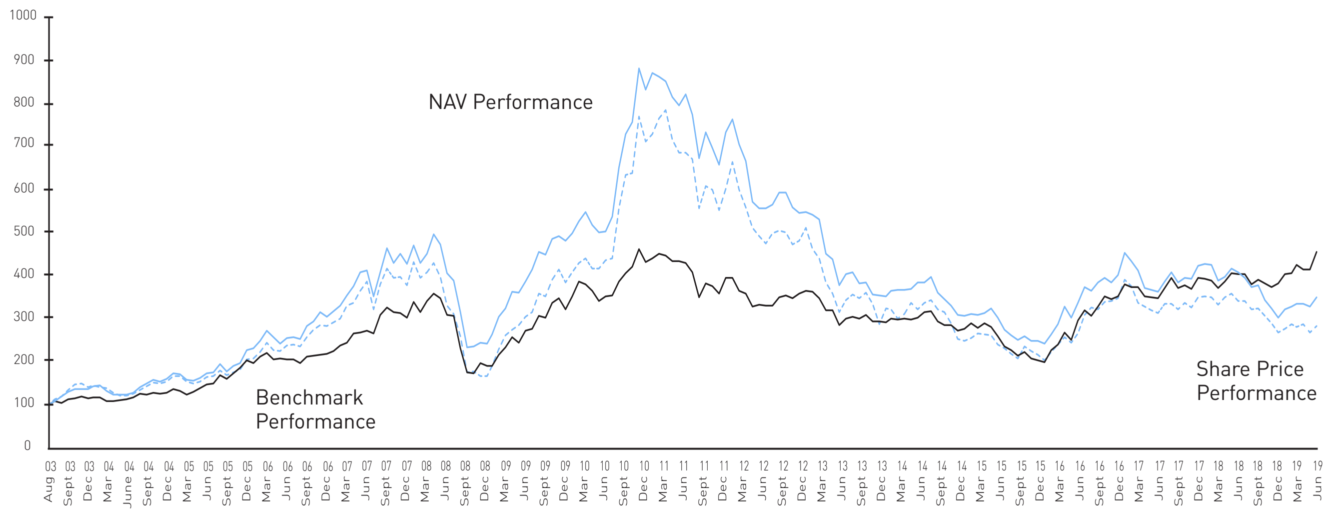
Performance Record

Dividends Declared 30 June 2004 to 30 June 2019



Sources: Maitland Administration Services (Scotland) Limited

Performance from 1 August 2003 to 30 June 2019



CQS Natural Resources Growth and Income plc share price total return (i)
CQS Natural Resources Growth and Income plc net asset value total return (i)
Benchmark Index total return (i) & (ii)

(Index restated to 100)
Sources: Maitland Administration Services (Scotland) Limited and Bloomberg

(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).

From the change of investment objective on 1 August 2003.

Our Objective

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

Contents

Financial Highlights

Total Return*	Year to 30 June 2019	Year to 30 June 2018	Period from 1 August 2003 to 30 June 2019
Net asset value	**(13.88)%**	12.0%	248.11%
Ordinary share price	**(17.34)%**	9.9%	180.47%
Composite index	**12.79%**	17.4%	350.75%
Euromoney Global Mining Index (sterling adjusted)	**13.20%**	23.2%	369.60%
Credit Suisse High Yield Index [sterling adjusted]	**11.13%**	1.4%	308.72%

Capital Values	30 June 2019	30 June 2018	% change period
Net asset value per share	**116.2p**	142.4p	(18.40)%
Ordinary share price (mid market)	**89.3p**	115.3p	(22.55)%
3.5% Convertible Unsecured Loan Stock ("CULS") (mid market)	**–**	100.0p	(100)%

Revenue and Dividends	30 June 2019	30 June 2018	% change period
Revenue earnings per ordinary share	**2.67p**	3.28p	(18.60)%
Dividends per ordinary share	**5.60p**	5.60p	0%
Dividend Yield	**6.3%**	4.9%	
Discount (difference between share price and fully diluted net asset value)	**23.1%**	19.0%	
Gearing*			
Gearing provided by bank loan/CULS	**12.3%**	16.9%	
Ongoing charges (as a percentage of average shareholders' funds)	**1.9%**	1.8%	

Period's Highs/Lows	Year to 30 June 2019 High	Year to 30 June 2019 Low
Net asset value per share	**143.8p**	98.9p
Ordinary share price (mid market)	**117.8p**	83.9p
Discount	**25.4%**	10.0%

Dividend History	Rate	xd date	Record date	Payment date
Fourth interim 2019	1.82p	25 July 2019	26 July 2019	30 August 2019
Third interim 2019	1.26p	25 April 2019	26 April 2019	24 May 2019
Second interim 2019	1.26p	24 January 2019	25 January 2019	28 February 2019
First interim 2019	1.26p	25 October 2018	26 October 2018	30 November 2018
Total	5.60p			
Fourth interim 2018	2.62p	26 July 2018	27 July 2018	31 August 2018
Third interim 2018	0.40p	7 June 2018	8 June 2018	22 June 2018
Third interim 2018	0.86p	26 April 2018	27 April 2018	25 May 2018
Second interim 2018	0.86p	25 January 2018	26 January 2018	28 February 2018
First interim 2018	0.86p	26 October 2017	27 October 2017	24 November 2017
Total	5.60p			

* A glossary of the terms used can be found on page 50.

Chairman's Statement

Overview

The year to 30 June 2019 has been challenging and was largely affected by the savage sell off in global equities in the last quarter of CY18. The Company was not immune to this and suffered painful performance. Since then the Company's net asset value ("NAV") has out-performed its peers and its exposure to precious metals have been very beneficial. This has not been reflected in the share price due to several factors such as US / China trade wars, geopolitical tensions, the Woodford fall out and Brexit uncertainties to name but a few. The Investment Manager has articulated all of these in more detail in their review.

Performance

At 30 June 2019 your Company's net asset value ("NAV") per share was 116.2 pence representing a fall of 13.9%. Although this underperformance is disappointing, since the change of investment objective on 1 August 2003 in the period to 30 June 2019 the Company has delivered a cumulative NAV total return of 248.1% indicating the value added by the thoughtful stock selection of our Investment Manager.

Additional information on the performance of the Company is set out in the performance highlights on page 2. The Investment Manager's report on pages 5 to 7 also provides further information on investment style, sector allocation and some of our larger portfolio holdings.

As at 14 October 2019, the Company's NAV is 111.96 pence and the share price is 87.20 pence.

Dividends and Income

Income and dividends have been a focus of the Company since 2003. Dividends paid to shareholders during the year under review totaled 5.6 pence per share and were 2.8 times the amount paid per share in 2004. The Board considers that the dividend is an important element of stability and investor appeal in our volatile asset class and will continue to pay four interim dividends totaling 5.6 pence for this year.

IIn my statement last year I advised that the Investment Manager was increasing the portfolio's allocation to equities with an eye to total return and without regard to their yield, and this has continued throughout this year. The Board does not believe that it is a necessity for the annual dividend target to be covered by current year revenue alone. The Investment Manager is focused on generating capital growth and income from the portfolio and their investment choices should not therefore be driven entirely by the need to meet an annual income target. If portfolio income is not sufficient during the year to meet the dividend target the Board will continue to use distributable reserves to do so.

Dividend yield for the year to 30 June 2019 rose to 6.3% (2018: 4.9%) and as at 10 October 2019 was 6.5%.

Discount

At the year end the Company's shares were trading at a discount of 23.1% and during the year ranged from a high of 25.4% to a low of 10.0% with an average discount of 17.2%. As at the close of business on 14 October 2019, the discount was 22.1%.

The Board is conscious of the prevailing discount at which your Company's shares trade and will continue to monitor movements in the discount. It remains the Board's aim to mitigate the discount at which the Company's shares trade by delivering good long term performance.

Gearing

The repayment of the Company's convertible unsecured loan stock in September 2018 was partially financed by a new £20 million unsecured revolving credit facility with Scotiabank. The agreed gearing limit is 25%, however the gearing level was reduced during the year as a consequence of the repayment of the convertible unsecured loan stock and at 30 June 2019 was 12.3% (2018: 16.9%).

As at 10 October 2019, net gearing stands at 15.5% per cent, with £13m of the credit facility drawn down.

Annual General Meeting

The Company's 24th Annual General Meeting will be held on 5 December 2019 at One Fleet Place, London EC4M 7WS at 2 pm. Details of the business of the meeting is set out in the Notice of Meeting on pages 51 to 53.

We would encourage shareholders to attend the Annual General Meeting to meet the Board. The Investment Manager will also be giving a presentation on the year under review and the current financial year.

Outlook

The Investment Manager has set out a detailed review of the various global and domestic uncertainties that have significant effects on the investment strategy.

The dominant theme remains the US/China trade war. The Trump administration has chosen to weaponise trade tariffs and even

Chairman's Statement (continued)

now these are hanging over the EU. In addition civil unrest in Hong Kong is exacerbating this and locally Brexit uncertainty is causing unease. The major effect of this to the Company would be currency volatility affecting the NAV.

The Company, has however, positioned itself for the medium to longer term and is looking beyond the 2020 US election cycle. China is still growing at an estimated 5-6% per annum and demand will outstrip supply of the various commodities that the Company's portfolio covers. Precious metals have performed very strongly this year and the Company has significant holdings in that sector.

The closed end structure of the Company enables the Investment Manager to invest over the medium to longer term without liquidity fears of cash withdrawals.

The CQS group has extensive research capabilities which supports the Investment Manager's investment strategy and we look forward with cautious optimism.

I would like to conclude by extending my thanks to all shareholders for their continued support.

Richard Prickett
Chairman
14 October 2019

Investment Manager's Review

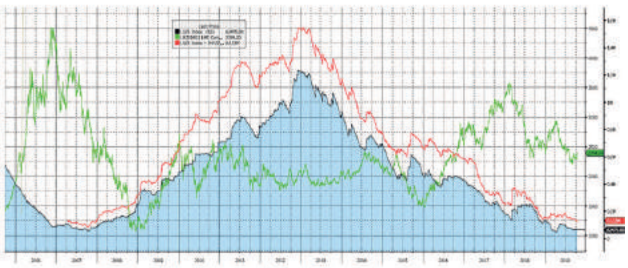
Performance

This financial year was marked by some difficult periods for smaller cap equities. This is evident by the weak performance of the fund from June 18' to June 19', down by 14% over that period. The three months since the end of the financial year have been much improved.

Over the financial year almost all the poor performance was seen in the 4th quarter of CY18, with the fund falling by 13.9%. This was a period of marked small cap performance globally across multiple sectors, not just resources. This was driven by a number of factors, but trade war concerns were a major contributor, which again we will discuss in more detail. This saw an effective capitulation across many names in the fund to what we believed were over sold levels, where we looked to opportunistically add. A further headwind for the fund was our lack of iron ore exposure, which rallied strongly in the first half of 2019 following Vale's Brumadinho tailings dam failure, which resulted in Vale cutting supply. This is due to not being invested in the majors like BHP and Rio, hence we are less exposed to iron ore than the broader sector as iron ore is such a large proportion of their earnings. We did hold Fortescue Metals, an iron ore producer in Australia, although since the end of the financial year we have sold that position as we believed the strength in iron ore looked unsustainable.

Auto sales were also very weak over the financial year, with minimal signs of improvement at the time of writing. This is important as it is a key driver of Zinc demand, with 50% of Zinc used for galvanising steel and much of this is used for vehicles. This weighed on some key holdings for the fund such as Trevali and Ascendant, which also weighed on performance over the period. Despite the soft pricing global warehouse stocks (LME and Shanghai) have continued to decline to around 6 days of global usage, a level that previously would indicate zinc pricing 50% higher than we are today.

Green = Zinc price ($/t), Red line = Shanghai + LME stocks, Black = LME stocks (tons)



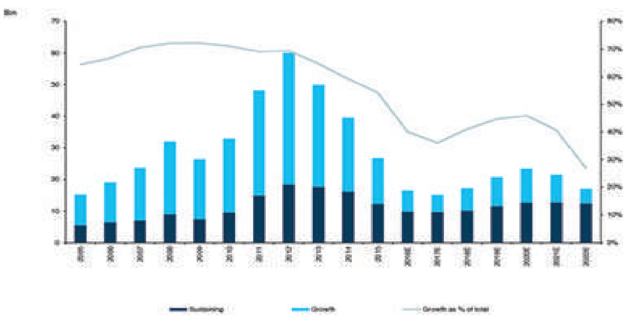
At the time of our last AGM (December 2018) we were most of the way through the dire 4Q. We have previously and continue to flag the positive supply fundamentals for mining, noting all the concerns over the period were primarily demand related.

The first half of CY 19 showed a broader recovery in mining. One of the notable out performers were the precious metal miners which saw strong performance over this period, and posted the largest gains from May through to the end of September. Most of this gain is not reflected in the financial year numbers.

The performance YTD has improved, making back much of the underperformance seen in 4Q18, which was a period of investor capitulation in smaller cap mining equities. This improved performance was also due to favourable commodity positioning. The fund holds a large weighting to precious metal mining equites (~24%) which have meaningfully out performed, whilst the low weighting to Oil and Gas and iron ore has been beneficial. The relatively sizeable weighting to base metal miners did weigh on performance, but was more than offset by the positioning in precious metals which saw an improvement in metal pricing and equity ratings. The drivers of each of these are addressed in more detail below. This improved relative performance unfortunately was not fully reflected in the share price as the discount to the NAV widened from 15% at the start of the year to 24% at the time of writing (24.9.19).

Outlook

Beyond the headlines of trade wars and central banks reducing interest rates globally, again addressed in more detail later on, the underlying simple fundamentals of supply and demand continue to look constructive. The valuations of the underlying producers look favourable versus historic levels and especially against other sectors. This discount is even more extreme when looking at smaller companies (<$1bn) with many of our names trading at 0.5x & 0.6x P/NAV for gold and base metal miners, due to an additional discount by virtue of not meeting liquidity requirements for large funds and passive ETF's. CQS Natural Resources does not try to emulate or track any of the major ETF's or indices, instead focusing on the opportunities in which we see the most attractive value opportunities. This is a strategy that has been difficult for the last few years, as we have been left fighting a tide of capital flow from active to passive strategies and hence flows out of smaller cap equities more generally. Against this geopolitical events have also weighed on the sector raising demand concerns, deferring the broader sector recovery we expect. Put simply, commodities and mining especially have been out of favour for over 5 years, this has led to a greater focus on capital discipline which has resulted in a dearth of new capacity additions now and for the next few years. This is highlighted by the below chart that shows the decline in capex, but most notably the even larger proportional decline in growth capex.



Against this background of muted supply growth even a low level of demand growth would tighten the market and support higher

Investment Manager's Review (continued)

pricing. The key question is therefore demand, with increasingly negative sentiment resulting from the prolonged US-China trade war. We believe this sentiment has overshot to the downside, with a greater risk that any improvement or resolution could lead to a recovery in demand growth and a scenario where the world is in supply deficit for many commodities, an environment that would lead to better pricing. China still looks to grow by 5-6% per year, and though stimulus has been thus far limited we believe a slowing beyond this could prompt more action.

We have no crystal ball as to how the trade war will develop, in part due an unpredictable US president. We have opted to position for this backdrop with a large weighting to precious metal miners as useful portfolio insurance. We are comfortable with this weighting as gold equities have recently shown their ability to act with a negative correlation to the broader market, thus offering protection against weakness, but also because we believe they are attractively valued, even at a gold price lower than the $1520/oz we see today (24.9.19), so can perform well under either scenario.

Geopolitics

The most significant of these is the US/China trade war, with commodity markets driven by daily tweets from US President Donald Trump. There is a strong argument to suggest President Trump may become more amenable to negotiating given the slew of negative global growth data that is now having knock on impacts on US domestic growth. This is especially poignant coming in to 2020 as an election year. The US continues to see a trade deficit despite the tariffs, with the deficit at $55.2Bn in June, or $662Bn annualised, which compares to $621Bn in 2018. It is notable that $419Bn was with China in 2018, which is why President Trump is so focused on it, although it could be easily reduced via major agricultural and energy imports, which will likely form part of any solution.

If the current uncertainty extends materially leading to continued negative global growth data, China will likely respond to any domestic slow down through a pickup in stimulus. This is a fine balance for China, as reducing rates would act to lower the Yuan relative to the USD, a key focus of President Trump, risking an escalation of a currency war.

US sanctions curtailed supply in Iran and Venezuela which initially supported the oil price. This was further compounded by tensions as Iran impounded a UK flagged oil tanker and threatened to shut down the key shipping route of the strait of Hormuz. Whilst their threat is unlikely it highlights the potential for an escalation of the wider Middle East region, a key supplier of oil globally. In the second half of the financial year oil has pulled back on demand concerns from fall out from trade conflicts on global growth and more recently the expectation of growth in US oil supplies, which we have well flagged and a key reason for our low weighting to energy producers. On the 14th September we saw an attack on a major Saudi oil facility, impacting 5M barrels per day of oil supply, with Iran the most likely perpetrator. In the days that followed Saudi reported being able to add back much of this production with the intention of returning to full production by the end of the month. The relatively muted response in oil prices, ending the week up by 7% highlights the spare capacity within the global oil system. We remain cautious on the oil price, but are increasingly less so, noting that US production growth is slowing and increasing Middle East tensions add to the potential for supply shocks. We will gradually look to add to our current low level of energy weighting within the fund.

Brexit also remains a key uncertainty and whilst significant to us in the UK, its impact is limited on the wider commodity market. The key impact on the fund is in the reference currency for the NAV. A weaker sterling has benefitted the NAV as most assets are held in other currencies. As we approach the 31 October 2019, the date set for the UK's exit from the EU, we will continue to see volatility in sterling. This is something we are closely monitoring, noting that a swing in either direction may provide either a headwind or tailwind to future NAV performance in sterling.

Precious Metals

Gold and silver have been the notable out performers in the commodity space. The performance of the fund has been a key beneficiary given the circa 25% weighting to precious metals. The declining interest rate outlook has been the main cause of improved sentiment, leading to $16Trn of negative yielding bonds, but this has been caused by slowing global data due to the trade war between the US and China.

President Trump's enforcement of sanctions and tariffs on countries which he wishes to exert leverage upon has elevated the risk for many to rely on the US dollar as a settlement mechanism. This has led to strong Central Bank buying, adding 374t in the first half of 2019, the largest addition in the 19 years of the World Gold Councils' data series. This is encouraging for the sake of gold and precious metals, as it suggests we will see continued purchases for the foreseeable future from a number of very large and sticky buyers. The physical ETF's for comparison have shown meaningful physical additions, but they also present a risk if these typically faster money acquirers were to switch to selling.

Base Metals

Base metals were weaker on global demand concerns due to the US/China trade war. The fund has a meaningful exposure which has weighed on performance. We had not expected trade talks to be so protracted and lead to such a negative impact on global growth. President Trump is now very motivated to strike a deal as it has started to impact US equity performance, on which he partially grades himself. The true knock on implications are now being felt with warnings from the likes of Apple as to their reliance on parts delivery. At the time of writing President Trump had just extended the period which US companies are allowed to trade with Huawei. This trade war has offset what we had believed was a positive fundamental back drop of constrained supply, following a 5 year period of minimal capex on new projects and thus there is a lack of new supply. Base metal prices today are implying a very bearish outlook for demand which we believe is too negative, although this is clearly dependent on trade war developments. The uncertainty that has come from the present situation has extended this period of reduced development activity, with very few new projects being sanctioned. If we do see anything better than a very bearish outcome it could lead to a strong rebound in the underlying metals and equities.

Oil

Oil was very weak over the period. The initial weakness came from demand concerns on slowing global growth, but this latterly became more focused in increasing US production. We have repeatedly referred to this risk as the US adds new pipeline capacity, with the Permian basin adding 1-2M barrels per day of capacity over the next few months, which is why we maintained minimal exposure, which has benefitted the fund. The Fund has been well placed in Hurricane and Diversified Gas and Oil which are relatively defensive due to low production costs.

Shipping

The Fund's shipping exposure is partly to gain exposure to the energy themes we see. Both BW LPG and Euornav stand to benefit from increased US shale production growth. As shale oil is increasingly exported from the US to Asia, Euronav stands to benefit where the longer shipping routes increase utilisation for the entire fleet. BW LPG transports propane, again primarily from the US to Asia. Propane is produced as a by-product of shale production, so the increased production will increase flows and the spread between pricing which supports higher day rates for their vessels. Additionally all shipping looks likely to benefit from a new ruling, IMO 2020, requiring shipping vessels to use less sulphur in their shipping fuel. The impact of this is to elevate the fuel price which is worn by the customer, but therefore encourages slower steaming to increase efficiency. This will act to increase the utilisation across the sector overall, benefitting day rates. At normal day rates all of the shipping names held in the fund would pay meaningful double digit dividends.

Ian Francis, Keith Watson, Rob Crayford
New City Investment Managers

14 October 2019

Top Ten Largest Holdings

	Valuation 30 June 2018 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 30 June 2019 £'000
First Quantum** (note 1) Primarily a copper producer with mines in Africa and a large development project in Panama.	8,265	969	–	(2,368)	6,866
Ero Copper A copper producer with mining assets in Brazil.	2,227	426	(1,263)	3,230	4,620
Hurricane Energy (note 2) Developer of a large oil discovery in the West of Shetland, first oil produced in May 2019 from fractured basement rock.	4,209	–	(162)	502	4,549
BW LPG The world's leading owner and operator of LPG carriers.	2,439	189	–	789	3,417
REA Holding** (note 3) The Company cultivate oil palms and produces crude oil palm and other palm products.	6,283	–	–	(2,526)	3,757
Ascendant Resources (note 4) A zinc producer that acquired the mine called El Mochito from Nyrstar for $0.5m.	7,280	–	–	(4,046)	3,234
West African Resources An Australian listed gold developer and explorer with the Sanbrado discovery in Burkina Faso.	3,516	635	(715)	(402)	3,034
Americas Silver** (note 5) The Company mines silver, zinc, lead and copper.	2,772	417	–	(272)	2,917
Trevali Mining Trevali produces and explores for zinc and lead in Peru.	6,146	1,374	(127)	(4,565)	2,828
Euronav NV (note 6) The world'slargest independent crude oil tanker company.	1,056	1,099	–	59	2,214
Top ten investments	44,193	5,109	(2,267)	(9,599)	37,436

Comments on largest positions

First Quantum

First Quantum is primarily a copper company, with mines in Zambia and Portugal and a large new project now ramping up in Panama. We have added to this position over the period as despite negative sentiment in copper we still see a looming deficit and with the start-up of the Cobre Panama mine the company will have much improved debt levels. We are more comfortable with the debt levels for this company as they have numerous options in even the worst case scenario such as a non-core asset sales or even a proportional sell down of the Cobre Panama mine.

Ero Copper

This is primarily a copper miner, but also owns a gold mine, with assets in Brazil. This is a low capex restart of brown field facilities. The grades and potential are truly world class, and with 30 rigs currently drilling is one of the most active in the sector.

Hurricane Energy

This North Sea oil and gas explorer has turned producer over the period. Following a successful execution they started production, first announced on the 11th of May. They had a setback following an unsuccessful well on an extension of the Lancaster field called

Top Ten Largest Holdings

Warwick, but we are optimistic on further success on a well they are currently drilling on the Lincoln target. We hold this position despite our cautious view on the oil price due to a low operating cost of around $35/bbl. The position is held in both the equity and convertible bond, which would likely convert in to equity when they are callable in July 2020 at a discount to the current share price. The company is free cash flow generative and can self-fund any further expansions.

REA Holdings

Indonesian Palm Oil producer in the province of east Kalimantan. This position is predominantly held across the 2020 bonds and preference shares, with a smaller position in the equity.

BW LPG

As previously mentioned BW LPG is a shipper of propane. This is a direct play on increased US shale production, where propane is produced as a by-product of Shale production. It is our belief that this pickup in activity in the US, a key reason for our caution on the oil price, will result in more propane production. BW LPG benefits from this as more is exported from the US, which in turn requires more ships that specialise in its transport. This increases the utilisation and thus lifts the day rates for these ships. This increases earnings for the company of which it pays out 50% as a dividend.

Precious metal miners – inc West African Resources & Americas Silver

Our positions are more diverse within this sector, with only Americas Silver and West African Resources making the top 20. This is because there are far more options that meet our valuation criteria, due a material discount in the smaller precious metal miners relative to their larger peers. We believe the discount is unjustified longer term as it is more technically driven, with a reduction in active funds within the space, capital flows have been dominated by the precious metal ETF's that have a large cap bias.

West African Resources is building a gold mine in Burkina Faso in West Africa which is due to start production in early 2020. This will be a low cost project producing 250k oz/y in the first few years of production.

Americas Silver has a mine in Mexico, and two in the US. It produces Gold, Silver, Zinc and some lead. Two of the mines are operational and one is currently being built and will enter production in late 2020.

Trevali Mining

Zinc miner with assets in Canada, Peru, Burkina Faso and Namibia. The performance for the year has been disappointing with the primary cause being the decline in the Zinc price. In response to the weakness a new CEO has been appointed who was formerly the COO of base metals for Vale. His strong operational background should aid this company with a turn around.

Euronav

Crude oil shipper, with one of the largest fleets of the largest format VLCC ships and blue ship clients. They are a key beneficiary of trade war related disruptions as it forces longer shipping routes and increases day rates. Strong cash generation from current day rates should result in a sizeable dividend given the strong prior payout ratios. Its current valuation is around 0.8x P/NAV, which means it could accretively sell a vessel and buy back stock. If OPEC chose to remove their quotas, or Iran and Venezuela ever see operations improve, this would lead to a further improvement in day rates.

Notes to the Investment Portfolio

Note 1 – Includes First Quantum equity valued at £6,124,000 and First Quantum Minerals 7.5% 01/04/2025 valued at £742,000.
Note 2 – Includes Hurricane Energy equity valued at £607,000 Hurricane Energy Convertible 7.5% 24/07/2022 valued at £3,942,000.
Note 3 – Includes REA Holdings 9% Pref Shares valued at £3,300,000 and REA Finance 8.75% 31/08/2020 valued at £457,000.
Note 4 – Includes Ascendant Resources equity valued at £3,167,000 and warrants valued at £66,000.
Note 5 – Includes Americas Silver equity valued at £2,830,000 and Americas Silver warrants valued at £67,000.
Note 6 – Includes Euronav NV equity valued at £1,103,000 and Euronav Luxembourg SA 7.5% 31/05/2022 valued at £1,111,000.

** Denotes a Level 2 security

Classification of Investment Portfolio by Sector

As at 30 June	2019 % of total investments	2018 % of total investments
Gold	16.1	16.0
Copper	15.3	10.7
Zinc	6.9	10.8
Shipping	6.2	5.2
Oil & Gas	5.5	5.4
Silver	4.8	2.6
Uranium	4.2	2.9
Base Metals	3.2	3.8
Iron	3.0	1.6
Nickel	2.3	0.3
Coal	2.2	2.1
Rare Earth	1.6	1.1
Lithium	1.5	0.9
Alternative energy	1.2	1.7
Palm Oil	0.3	0.5
Platinum	0.3	0.2
Agriculture	0.2	0.3
Steel	0.1	–
Fixed Interest Securities	18.0	17.3
Treasury Stock	–	8.5
Preference Shares	7.1	8.1
Total Investments	100.0	100.0

Classification of Investments by Stock Market Quotation

As at 30 June	2019 % of total investments	2018 % of total investments
Canada	38.1	36.0
Australia	18.1	17.0
UK	14.8	24.5
Europe	6.1	6.9
US	19.9	15.4
Unquoted	3.0	0.2
Total Investments	100.0	100.0

Investment Portfolio

as at 30 June 2019

Company	Sector	Valuation £'000	Total Investments %
First Quantum Minerals** (Note 1)	Copper	6,866	7.8
Ero Copper Corp Common	Copper	4,620	5.3
Hurricane Energy (Note 2)	Oil & Gas	4,549	5.2
Rea Holdings** (Note 3)	Palm Oil	3,757	4.3
BW LPG Ltd USD0.01	Shipping	3,417	3.9
Ascendant Resources** (Note 4)	Zinc	3,234	3.7
West African Resources Limited Common	Gold	3,034	3.5
Americas Silver **(Note 5)	Silver	2,917	3.3
Trevali Mining Corp Common NPV	Zinc	2,828	3.3
Euronav Luxembourg (Note 6)	Shipping	2,214	2.5
Top ten investments		37,436	42.8
Tizir Ltd 9.5% 19/07/2022	Rare Earth	2,205	2.5
Metals X Ltd Common NPV	Gold	2,168	2.5
Talon Metals	Nickel	1,999	2.3
Arch Coal Inc Class 'A' Common USD0.01	Coal	1,946	2.2
Goodbulk Ltd Common USD1	Shipping	1,843	2.1
NexGen Energy Ltd Common NPV	Uranium	1,802	2.1
Oilflow SPV 1 DAC 12% 13/01/2022	Oil & Gas	1,638	1.9
Central Asia Metals Plc Ordinary	Copper	1,581	1.8
Diversified Gas & Oil Plc Ordinary 1p	Oil & Gas	1,481	1.7
Trafigura Group Pte 6.875% Variable Perpetual	Finance	1,425	1.6
Top twenty investments		18,088	20.7
Lynas Corporation Limited Common NPV	Rare Earth	1,412	1.6
Westgold Resources Limited Common NPV	Gold	1,343	1.5
Roxgold Inc Common NPV	Gold	1,325	1.5
Sigma Lithium Resources Corp Common NPV	Lithium	1,320	1.5
Independence Group NL Common	Gold	1,174	1.4
Raven Russia Limited 12% Preferred	Other investments	1,155	1.3
Base Resources Ltd Common NPV	Base metals	1,147	1.3
LBG 7.875% Variable Perpetual	Finance	1,132	1.3
Adriatic Metals Plc Common	Iron	1,088	1.3
Foran Mining Corp Common NPV	Copper	1,049	1.2
Top thirty investments		12,145	13.9
Silver Lake Resources Limited Common NPV	Silver	1,013	1.2
Fortescue Metals Group Ltd	Iron	994	1.1
Aquila Resources**	Gold	928	1.1
Ecclesiastical Insurance Preferred 8.625% Perp	Finance	918	1.0
Ur-Energy**	Uranium	906	1.0
Balfour Beatty Preferred 9.675% 01/07/2020	Other investments	884	1.0
Integra Resources Corp Common	Gold	825	1.0
Contura Energy Inc Common USD0.01	Alternative energy	813	0.9
Galena Mining Limited Common NPV	Base metals	803	0.9
Gran Colombia Gold Corp** (Note 10)	Gold	777	0.9
Top forty investments		8,861	10.1

Notes to the Investment Portfolio are on page 9.

Company	Sector	Valuation £'000	Total Investments %
Odyssey Energy Ltd Common NPV	Oil & Gas	737	0.9
Pretium Resources Inc Common NPV	Gold	701	0.8
Adventus Mining Corp Common NPV	Base metals	678	0.8
American Tanker Inc 9.25% 22/02/2022	Shipping	632	0.7
PizzaExpress Financing 8.625% 01/08/2022	Other investments	583	0.7
Elematic Oyj 10% 30/06/2021	Oil & Gas	547	0.6
Fission Uranium Corp NPV	Uranium	537	0.6
Jupiter Mines Ltd Common NPV	Iron	504	0.6
Asanko Gold Inc Common NPV	Gold	473	0.5
Sabina Gold & Silver Corp NPV	Gold	369	0.4
Top fifty investments		5,761	6.6
Oro Negro 7.5% 24/01/2019	Oil & Gas	367	0.4
Guyana Goldfields Inc Common NPV	Gold	367	0.4
Denison Mines Corp Common NPV	Uranium	366	0.4
Petro Matad Ltd Common USD0.01	Oil & Gas	342	0.4
Pure Gold Mining (Placing line)	Gold	331	0.4
Oklo Resources Ltd NPV	Gold	313	0.4
Platinum Group Metals**	Platinum	296	0.3
St George Mining**	Nickel	296	0.3
R.E.A. Holdings Plc Ordinary 25p	Palm Oil	264	0.3
Vintage Energy Ltd Common NPV	Oil & Gas	232	0.3
Top sixty investments		3,174	3.6
Cardinal Resources Ltd Common	Gold	218	0.2
Greencoat UK Wind Plc Ordinary	Alternative energy	216	0.2
Fortuna Silver Mines Inc Common NPV	Silver	205	0.2
Polarcus Ltd	Oil & Gas	204	0.2
Bluestone Resources**	Other mining investments	181	0.2
Precision Drilling Corp NPV	Oil & Gas	147	0.2
Avance Gas Holding Ltd Common USD1	Shipping	138	0.2
Sherritt International Corp 8% 15/11/2021	Nickel	127	0.2
Stelco Holdings Inc W/I	Steel	90	0.1
Clean Seed Capital Group Ltd Common NPV	Agriculture	75	0.1
Top seventy investments		1,601	1.8
Santacruz Silver Mining Ltd NPV	Silver	73	0.1
Agriculture Investment Group Corp Common	Agriculture	58	0.1
Mandalay Resources Corp Common NPV	Gold	56	0.1
Lydian International Ltd Common NPV	Gold	49	0.1
Devex Resources Ltd Common NPV	Uranium	47	0.1
Samco Gold Ltd Common NPV	Gold	44	–
Valore Metals Corp NPV	Gold	40	–
Amani Gold Limited Common NPV	Gold	38	–
Ausgold Ltd Common NPV	Gold	34	–
Pan American Silver Corp CVR's (USD)	Silver	25	–
Top eighty investments		464	0.5
Other investments		17	–
Total investments		87,547	100.0

Strategic Review

Introduction

This review is part of the Strategic Report being presented by the Company under 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 2019. 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 to 7, 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 Objective

The Company seeks 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.

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 stock market 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 15 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 stock market falls.

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on pages 14 and 15. 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 Directors confirm that they have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The Board is closely monitoring the potential impact of Brexit as part of the Company's investment risk. The Board and Investment Manager will continue to keep developments under review.

The principal risks faced by Company remain unchanged since last year and 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 17 of the financial statements.

Earnings and Dividend Risk – Earnings do not underpin dividends declared, with the portfolio being managed on a total return basis. Future dividends are expected to be uncovered over the short to medium term and will be funded from distributable reserves as necessary.

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 Maitland Administration Services (Scotland) Limited, whose systems and processes the Administrator relies upon. These are reviewed by the Audit Committee, as a minimum, once a year. CQS delivers a risk based internal audit plan across the CQS Group which covers different areas of front, middle and infrastructure audits; any areas of concern are discussed with the Audit Committee when it meets.

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.

Political risk – Political developments are closely monitored and considered by the Board. The Board has noted the continued uncertainty as to the terms on which the UK will leave the European Union, and also the apparent increase in protectionist threats to world trade. The Board will continue to monitor developments as they occur and assess the potential consequences for the Company's future activities.

Viability Statement

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the viability of the Company over a period longer than the 12 months required in the 'Going Concern' guidance. The Board conducted this viability review for a period of three years. The Board considers that this period reflects the long term objectives of the Company whilst taking into account the impact of uncertainties in the markets.

In making this statement the Board carried out a robust assessment of the principal risks facing the Company. These risks and their mitigations are set out on pages 13 and 14. The principal risks identified as most relevant to the assessment of the viability of the Company were those relating to potential under-performance of the portfolio and its effect on the ability to pay dividends.

When considering the risk of under-performance, the Board carried out a series of stress tests including the effects of any substantial future falls in investment value on the ability to re-pay and re-negotiate borrowings, potential breaches of loan covenants and the maintenance of dividend payments.

The Board also considered the impact of potential regulatory change and the controls in place surrounding significant third party providers, including the Investment Manager.

The Board also noted the liquidity risk in the portfolio where the percentage of Level 1 listed investments held at the year end was 78.9%.

Based on the Company's processes for monitoring revenue and costs and the Investment Manager's compliance with the investment objective and policies, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meets its liabilities as they fall due for a period of three years from the date of approval of this Report.

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 tables and data on page 2 show how the Company has performed against those KPIs, and a glossary of terms and alternative performance measures is included on page 50. The key performance indicators (KPIs) used to measure progress and performance over time, and which are comparable to those reported by other investment trusts are as follows:

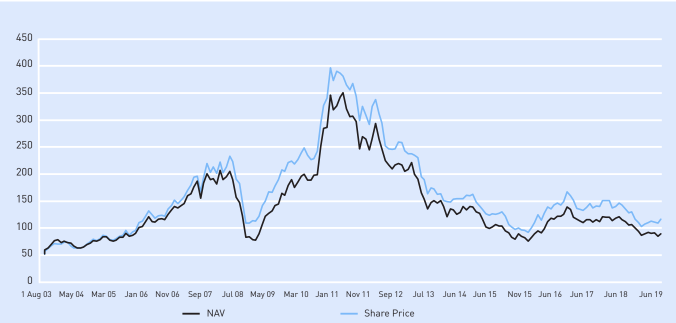
- **Performance measured against the benchmark, relevant indices and peers**
  The Board reviews and compares, at each meeting, the performance of the portfolio, the Company's NAV and share price, its benchmark and peers. (see inside front cover).

- **Discount/premium to net asset value ('NAV')**
  At each Board meeting, the Board monitors the level of the Company's discount or premium to NAV. The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange.

  In the year to 30 June 2019, the Company's share price to NAV traded in the range of a discount of 25.4% to discount of 10.0%. The average discount for the year was 17.2%.

  Further details of how the discount at which the Company's shares trade is calculated are provided in the glossary.

NAV and Share Price Performance



Source: Maitland Administration Services (Scotland) Limited.

- **Dividends per share**
  The Board currently intends to at least maintain the level of dividend paid by the Company in respect of subsequent financial years. The continuing ability of the Company to do so is monitored on a quarterly basis. During the year under review dividends per share totalling 5.60 pence per share were declared (2018: 5.60 pence).

- **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. For the year under review ongoing charges were 1.9% (2018: 1.8%).

These KPIs fall within the definition of "Alternative Performance Measures" (APMs) under guidance issued by the European Securities and Markets Authority (ESMA) and additional information explaining how these are calculated is set out in the Glossary on page 50.

Future Prospects

The Chairman's Statement on pages 3 and 4 and the Investment Manager's Report on pages 5 to 7 include a review of developments during the year as well as information on investment activity within the Company's portfolio and the factors likely to affect the future performance of the Company.

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.

The Company's Investment Manager, CQS (UK) LLP, has stated that they view environmental, social and governance ("ESG") factors as a key driver of financing costs, valuations and performance, while also being capable of acting as a lever to shape and influence the world for generations to come. The integration and assessment of ESG factors is a crucial part of this commitment, and a key factor in their decision-making. Through embedding ESG into the investment process the Investment Manager seeks to enhance their ability to identify value, investment opportunities and, critically, to generate the best possible returns for their clients. CQS (UK) LLP is signatory to the internationally recognised Principles for Responsible Investment ("PRI"), fully supporting all of the PRIs.

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

Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company does not fall within the scope of the Modern Slavery Act 2015 and is not, therefore, obliged to make a slavery and human trafficking statement.

Directors and Gender Representation

Details of the Directors of the Company on 30 June 2019, all of whom held office throughout the year are set out on pages 16 and 17.

The Board consists of three male Directors and two female Directors.

By order of the Board
Richard Prickett
Chairman

14 October 2019

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.

The Board fulfils the function of the Audit, Nomination and Management Engagement Committees.

Richard Öther Prickett FCA

Chairman

Length of service: 12 years
appointed a Director on 30 November 2006 and resigned as Chairman of the Audit Committee on 1 October 2016. Appointed Chairman on 24 March 2018.

Experience:
Richard 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 a non-executive director of The City Pub Group plc.

Committee membership:
Management Engagement Committee
Nomination Committee

Remuneration: £30,000 per annum (increased from £27,000 on 1 July 2019)

All other public company directorships:
Landore Resources Limited
The City Pub Group Plc

Shared Directorships with any other Trust Directors:
Landore Resources Limited

Shareholding in Company: 65,000 ordinary shares

Alun Grant Evans

Director

Length of service: 5 years
appointed a Director on 26 September 2014.

Experience:
Alun has worked in the investment management industry for nearly 40 years. 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 as Business Development Director, from which he retired in August 2017.

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £23,000 per annum (increased from £20,000 on 1 July 2019)

All other public company directorships: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 10,540 ordinary shares

Helen Foster Green

Director and Chairman of the Audit Committee

Length of service: 4 years
appointed a Director on 1 September 2015 and appointed Chairman of the Audit Committee on 1 October 2016.

Experience:
Helen 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: £26,000 per annum (increased from £22,000 on 1 July 2019)

All other public company directorships:
Aberdeen Emerging Markets Investment Company Limited
Landore Resources Limited
UK Mortgages Limited
JPMorgan Global Core Real Assets Limited (appointed 24 September 2019)
Acorn Income Fund Limited (resigned 16 August 2019)

Shared Directorships with any other Trust Directors:
Landore Resources Limited

Shareholding in Company: 5,500 ordinary shares

Carole Cable

Director

Length of service: 2 years
appointed a Director on 1 October 2017.

Experience:
Carole is a partner and co-head of the Energy and Resources division at Brunswick Group LLP, where she advises clients in the mining sector. Carole has had a career connected to the mining and commodities sector, initially on the sell side at JP Morgan and Credit Suisse, and is also a non-executive director of Nyrstar NV, the global mining and multi metals business, and Chair of Women in Mining UK.

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £23,000 per annum (increased from £20,000 on 1 July 2019)

All other public company directorships:
Women in Mining (UK)
Nyrstar N.V.

Shared Directorships with any other Trust Directors: None

Shareholding in Company: None

Christopher Casey

Director

Length of service: 2 years
appointed a Director on 1 October 2017.

Experience:
Christopher is currently a director of Eddie Stobart Logistics plc, TR European Growth Trust PLC, Black Rock North American Income Trust PLC and Mobius Investment Trust plc. Christopher was a KPMG partner until 2010 since then he has carried out a number of non-executive board roles including chairman of China Polymetallic Mining Ltd.

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £23,000 per annum (increased from £20,000 on 1 July 2019)

All other public company directorships:
Eddie Stobart Logistics plc
BlackRock North American Income Trust Plc
TR European Growth Trust Plc
Mobius Investment Trust plc

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 6,500 ordinary shares

Investment Manager

CQS Cayman Limited Partnership ("CQS") was appointed as the Company's Investment Manager in 2007 and with the agreement of the Board, since then the function has been delegated to CQS (UK) LLP, trading as NCIM.

NCIM, is part of the CQS Group, a global diversified asset manager, running multiple strategies with, as at 31 August 2019, assets of US$17.4 billion under management.

With effect from 19 May 2019, the Company entered into a new investment management agreement to appoint CQS (UK) LLP as its Investment Manager. The previous investment management agreement with CQS was terminated.

Ian Francis, Keith Watson and Rob Crayfourd have day-to-day responsibility for managing the Company's portfolio.

Ian Francis joined the NCIM team in 2007. He has over 40 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.

Keith Watson joined the NCIM team in 2013 from Mirabaud Securities where he was a Senior Natural Resource Analyst. Prior to Mirabaud, Keith was Director of Mining Research at Evolution Securities. Previous to this, he was a top-ranked business services analyst at Dresdner Kleinwort Wasserstein, Commerzbank and Credit Suisse/BZW. Keith began his career in 1992 as a portfolio manager and research analyst at Scottish Amicable Investment Managers. Keith has a BSc (Hons) in Applied Physics from Durham University.

Robert Crayfourd joined the NCIM team in 2011. He holds a BSc in Geological Sciences from the University of Leeds and is a CFA holder with over 13 years' experience, having previously worked for the Universities Super Annuation Scheme and HSBC Global Asset Management where he focused on the resource sector.

Alternative Investment Fund Managers Directive (AIFMD)

The Company has appointed CQS (UK) LLP, a subsidiary of CQS, as the Company's alternative investment fund 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 appointed HSBC Bank plc to act as the Company's depositary.

As part of the process the investment management agreement was updated and builds in the regulatory requirements arising as a result of the appointment of the AIFM.

Further AIFMD disclosures are shown on pages 54 and 55.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 30 June 2019.

Corporate Governance

The Statement of Corporate Governance is set out on pages 22 and 23 and forms part 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 under Sections 1158 and 1159 of the Corporation Tax Act 2010 by HM Revenue and Customs as such, subject to continuing to meet eligibility requirements. The Directors are of the opinion that the Company has conducted its affairs in a manner compliant with the conditions for continued approval and intends to continue to do so.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund ("AIF") falling within the scope of, and subject to, the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"). Further details are provided in the AIFMD Disclosures on pages 54 and 55.

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').

Change of Name

At the Annual General Meeting held in 2018, shareholders voted in favour of changing the Company's name from City Natural Resources High Yield Trust plc to CQS Natural Resources Growth and Income PLC. The Directors implemented this change on 10 December 2018. The Company's London Stock Exchange TIDM code ("ticker") remained as (CYN).

Results and Dividends

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

Dividend Policy

Subject to market conditions and the Company's performance, financial position and financial outlook, it is the Directors' intention to pay an attractive level of dividend income to Shareholders on a quarterly basis.

The Company intends to continue to pay all dividends as interim dividends. A resolution to approve this dividend policy will be proposed at the Annual General Meeting ('AGM').

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on pages 16 and 17.

As explained in more detail under Corporate Governance on pages 22 and 23, the Board has agreed that all Directors will retire annually. Mr R O Prickett, Ms C Cable, Mr C M Casey, Mr A G Evans, and Mrs H F Green will retire at the Annual General Meeting and, being eligible, offer themselves for re-election for a further year.

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 22 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 re-elected.

None of the Directors is entitled to compensation for loss of office on the takeover of the Company. None of the Directors has a service contract with the Company.

Directors and Officers Insurance

The Company has a Directors and Officers insurance policy in respect of liabilities that may attach to them in the capacity as Directors of the Company. This covers any liabilities that may arise to a third party for negligence, default or breach of trust or duty. This policy has been in force throughout the year under review and remains in place as at the date of this report. For more information see note 4.

Conflicts of Interest

The Board has a procedure for identifying, reporting and addressing conflicts of interest, or potential conflicts. It considers that the procedure has worked effectively during the year under review and intends to continue to review all notified situations on an annual basis.

Directors' Remuneration Policy and Report

The Directors' Remuneration Report is set out on pages 26 and 27. An advisory ordinary resolution to approve the report will be put to shareholders at the Company's AGM. The Company is also required to put the Directors' Remuneration Policy to a binding shareholder vote on a triennial basis. The Remuneration Policy was approved by shareholders at the AGM held in 2018 and will continue to apply for the next two financial years to 30 June 2021.

Directors' responsibilities

The Directors' responsibilities in preparing these financial statements are noted on page 21.

Capital Structure

As at 30 June 2019 there were 66,888,509 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.

Convertible Unsecured Loan Stock 2018

As at 30 June 2019 there were no CULS in issue (2018: £34,551,074) following the final opportunity on 30 September 2018 for holders of the Company's Convertible Unsecured Loan Stock 2018 ("CULS") to exercise their conversion rights.

On 30 September 2018 the outstanding CULS were repaid and 398 ordinary shares issued due to the exercise of conversion rights by holders of CULS to the value of £1,508.

Substantial Interests in the Company's Shares

In accordance with the FCA's Disclosure and Transparency Rule 5.1.2R as at 30 June 2019, the Company had received the following notifications of interests in 3% or more of the voting rights attached to the Company's issued share capital.

Ordinary shares	Number held	% held
Armstrong Investments	8,050,000	12.0
Charles Stanley & Co / Rock (Nominees)	3,338,663	5.0
Miton Group	3,475,000	5.2
Philip J Milton	2.672.780	4.0
Miton Global Opportunities	2,025,000	3.0

The Company has not been advised of any changes to these notified interests between 30 June 2019 and the date of this report.

Management and Management Fees

Until 19 May 2019, investment management services to the Company were delegated to CQS Cayman Limited Partnership, which in turn delegated the management to CQS (UK) LLP, trading as New City Investment Managers, with Ian Francis, Keith Watson and Rob Crayfourd as the portfolio managers. On 19 May 2019 CQS (UK) LLP was appointed as the Company's Investment Manager.

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 interests of shareholders as a whole.

Since 3 April 2018 the Company's annual management fee has been 1.2 per cent on net assets up to £150 million; 1.1 per cent on net assets above £150 million and up to £200 million; 1.0 per cent on net assets above £200 million and up to £250 million; and, 0.9 per cent on net assets above £250 million.

The administration of the Company has been delegated to Maitland Administration Services (Scotland) Limited ("Maitland").

Change of Control

There are no agreements which the Company is party to that might be affected by a change of control of the Company.

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.

Principal risks

The key risks faced by the Company are set out in the Strategic Report on pages 13 and 14.

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 11 within the notice of Annual General Meeting on pages 51 to 53. If the resolution is not passed, the Board will put forward proposals to liquidate, open-end or otherwise reconstruct the Company.

After making enquiries of the Company's Investment Manager, and having considered the Company's investment objective, nature of the investment portfolio 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 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.

The Company's longer term viability is considered in the Viability Statement on page 14.

Financial Statements

The Directors' responsibilities regarding the financial statements and safeguarding of assets are set out on page 21.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations for the year ended 30 June 2019 (as per the prior year), 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).

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The Directors confirm that there were no disclosures to be made in this regard.

Annual General Meeting

The Notice of the Annual General Meeting is contained on pages 51 to 53.

Amendment to Articles of Association

It is proposed that pursuant to Article 80 of the Company's Articles of Association, with effect from the financial year which commenced 1 July 2019 each of the Directors shall be paid a fee for their services at such a rate (if any) as the Board shall from time to time determine provided that the aggregate remuneration (excluding amounts payable under any other provisions of the Articles) shall not exceed the sum of £175,000 per annum.

It is considered necessary to propose an increase to the aggregate limit on Directors' fees to facilitate any future increase in Directors' fees to reflect market trends and to ensure that the remuneration of the Directors is sufficient to attract and retain Directors with suitable knowledge and experience and is fair and reasonable in relation to their duties and responsibilities. In addition the increase would provide for the appointment of additional Directors should it be decided to make additional appointments at some future time. It would also provide for an overlap of Directors upon retirement and replacement in accordance with the Company's succession plan.

Full details of the fees paid to Directors are set out in the Directors' Remuneration Report on pages 20 and 27.

Continuation Vote

The 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 11, as an Ordinary Resolution.

Resolutions relating to the following items of special business will also be proposed at the forthcoming AGM.

Directors' Authority to Allot Shares

The Directors are seeking authority to allot shares. Resolution 12 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £1,672,200 per annum being 10 per cent of the total issued shares as at the date of the Noice of the Annual General Meeting.

Authority to disapply pre-exemption rights

Resolution 13, which is a Special Resolution, will, if passed, renew the Directors' existing authority to make allotments of shares or sell shares from treasury for cash without first offering them to existing holders in propoartion to their existing holdings.

Resolutuon 13 authorises the Directors to allot new ordinary shares for cash or to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis up to an aggregate nominal amount of £836,100 which is equivalent to 3,344,405 ordinary shares and represents 5% of the Company's ordinary share capital as at the date of the Notice of Annual General Meeting.

These authorities will continue in effect until the conclusion of the Annual General Meeting in 2020. 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 14, as set out in the notice of the Annual General Meeting, seeks renewal of the Company's authority to purchase its own shares. The renewed authority to make market purchases will be in respect of 10,026,525 ordinary shares being approximately 14.99 per cent of the issued ordinary shares of the Company in issue as at the date of the Annual General Meeting. 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) 105 per cent of the average middle market quotations taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased or (ii) the price of the last independent trade or (iii) the highest current independent bid. 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 immediately on completion of the purchase 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 2020.

Notice of Meeting

Resolution 15, 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. 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 15 in limited and time sensitive circumstances.

Recommendation

Your Board considers the passing of the resolutions to be proposed at the Annual General Meeting is likely to promote the success of the Company for the benefit of its members as a whole and are in the best interests of the Company and 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.

Disclosure of Information to the Auditor

As required by Section 418 of the Companis Act 2006 each of the Directors who held office st the date of approval of this Dirtectors' Report 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

The Auditor, BDO LLP is willing to continue in office as the Auditor and a resolution to reappoint BDO LLP and authorise the Directors to determine the Auditor's remuneration for the ensuing year, will be proposed at the Annual General Meeting.

By Order of the Board

Richard Prickett
Chairman

14 October 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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

In the case of each Director in office at the date the Director's Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

Richard Prickett
Chairman

14 October 2019

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 2016 ("the UK Code"), which is available on the Financial Reporting Council's website: www.frc.org.uk. The UK 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.

Following the publication in July 2018 of a new version of the UK Code, in February 2019, the AIC issued a new AIC Code of Corporate Governance that has been endorsed by the Financial Reporting Council. For the Company's financial year ending 30 June 2020 the Company will report against the new AIC Code.

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.

Statement of Compliance

The Board has considered the principles and recommendations of the UK Code, the AIC Code and the AIC Guide and believes that the Company has complied with the applicable provisions throughout the year under review and up to the date of this report except as below.

The UK Code includes provisions relating to:

- The role of the chief executive;
- Executive directors' remuneration;
- The need for an internal audit function; and
- The appointment of a Senior Independent Director.

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 Prickett is the Chairman and is responsible for the 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, there are no relationships, or circumstances which the Board considers likely to affect the judgement of the independent Directors. 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 2019 the Board met 4 times. In addition, there were two Audit Committee meetings, a Management Engagement Committee meeting, and a Nomination Committee meeting. Between meetings the Board maintains regular contact with the Investment Manager.

Directors have attended Board and Committee meetings during the year ended 30 June 2019 as follows (with their eligibility to attend the meeting in brackets).

	Board meetings	Nomination Committee meetings	Management Engagement Committee meetings	Audit Committee meetings
R Ö Prickett (Chairman)	4 (4)	1 (1)	1 (1)	n/a
C Cable	4 (4)	1 (1)	1 (1)	2 (2)
C M Casey	4 (4)	1 (1)	1 (1)	2 (2)
A G Evans	4 (4)	1 (1)	1 (1)	2 (2)
H F Green	4 (4)	1 (1)	1 (1)	2 (2)

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 questionnaire and discussions 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, Maitland Administration Services (Scotland) Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Board has reviewed the Company's internal control, principal risks and uncertainties. These are described in the Strategic Report on pages 13 and 14.

Committees of the Board

The Board has three principal committees: the Audit Committee, the Management Engagement Committee and the Nomination Committee. The terms of reference for these committees are available on the website https://ncim.co.uk/cqs-new-city-high-yield-fund-ltd/# or via the Company Secretary. A separate remuneration committee has not been established as the Board consists of only five non-executive directors. The whole Board is responsible for setting directors' fees in accordance with the Remuneration Policy set out on page 26, which is subject to periodic shareholder approval.

Audit Committee

The Audit Committee comprises all directors, with the exception of the Chairman of the Board, and is Chaired by Helen Green. Further details are provided in the Report of the Audit Committee on pages 24 and 25.

Management Engagement Committee

A separate Management Engagement Committee, which is chaired by Mr Prickett and comprises the full Board, 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

The Nomination Committee is chaired by Mr Prickett 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. 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.

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.

Bribery Prevention

The Board confirms it has zero tolerance to bribery and corruption in its business activities and take its responsibility to prevent bribery very seriously.

Criminal Finances Act 2017

In line with the requirements of The Criminal Finances Act 2017, the Directors confirm that the Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Financial Statements 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 the Company's Shares" on page 19.

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 Investment Manager, either formally at the Company's Annual General Meeting or subsequent to the meeting when teas and coffees will be offered to shareholders. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

Disclosure and transparency rules

Other information required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules has been placed in the Directors' Report on pages 18 to 20 because it is information which refers to events that have taken place during the course of the year.

By Order of the Board

Richard Prickett
Chairman

14 October 2019

Report of the Audit Committee

Composition of the Audit Committee

- An Audit Committee has been established with written terms of reference and comprises four non-executive Directors, Mrs H F Green (Chair), Ms C Cable, Mr C M Casey and Mr A G Evans. The Audit Committee members have recent and relevant financial experience, and the Audit Committee as a whole has competence relevant to the sector in which the Company operates. 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 half-yearly 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, BDO LLP ("BDO") 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 BDO's plan for the audit of the financial statements for the year ended 30 June 2019. At the conclusion of the audit BDO did not highlight any issues to the Audit Committee which would cause it to qualify its audit report. BDO issued an unqualified audit report which is included on pages 28 to 31.

It has been agreed that all non-audit work to be carried out by BDO 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.

As part of the review of auditor independence and effectiveness, BDO has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating BDO, 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, is satisfied that BDO provides effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the audit partner rotates after five years. The audit partner is in her third year of appointment.

Following a discussion with the Investment Manager, the Audit Committee considers the main risks within the financial statements to be the valuation and ownership of quoted, unquoted and level 2 investments held by the Company.

In order to address this the Company has appointed an Investment Manager, Custodian and Depositary 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 assesses the information provided in establishing the valuations used within the net asset value. The Company also receives regular reporting on internal controls.

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:

- Maitland Administration Services (Scotland) Limited ("Maitland") as Company Secretary and Administrator 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 their internal audit procedures.

The Audit Committee has established a set of ongoing processes designed to meet the particular needs of the Company in managing the risks to which it is exposed.

The process is one whereby the Investment Manager has identified the key risks to which the Company is exposed, and recorded them on a risk matrix together with the controls employed to mitigate these risks. A residual risk rating has been applied to each risk. The Audit Committee is responsible for reviewing the risk matrix and associated controls before recommending to the Board for consideration and approval, challenging the Investment Manager's assumptions to ensure a robust internal risk management process.

The Audit Committee formally reviewed the updated risk matrix during the year and will continue to do so on an annual basis. By their nature, these procedures provide a reasonable, but not absolute, assurance against material misstatement or loss. Regular reports will be provided to the Audit Committee highlighting material changes to risk ratings.

During the year, the Audit Committee also discussed and reviewed the internal controls frameworks in place at the Investment Manager and the Administrator. Discussions focused on three lines of defence: assurances at operational level; internal oversight; and independent objective assurance. The Audit Committee concluded that these frameworks were appropriate for the identification, assessment, management and monitoring of financial and regulatory risks, with particular regard to the protection of the interests of the Company's shareholders.

At its September 2019 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 30 June 2019 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 2019. The results of the assessment were then reported to the Board at the following 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 13 and 14.

Helen Green
Chair of the Audit Committee

14 October 2019

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 30 June 2019 which has been prepared in accordance with sections 420-422 of the Companies Act 2006.

Statement by the Chairman

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.

An ordinary resolution for the approval of this Report will be put to the members at the forthcoming Annual General Meeting.

Remuneration Committee

The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company. The determination of the Directors' fees is a matter dealt with by the whole Board.

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.

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 2019 was £109,000. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long¬term incentive schemes or other benefits.

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

The terms of Directors' appointments and the Company's Articles of Association 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. There is no notice period and no provision for compensation upon early termination of appointment.

Director	Date of Appointment	Due date for Re-election
R Ö Prickett	30 November 2006	AGM 2019
C Cable	1 October 2017	AGM 2019
C M Casey	1 October 2017	AGM 2019
A G Evans	26 September 2014	AGM 2019
H F Green	1 September 2015	AGM 2019

Annual Report on Directors' Remuneration

Directors' Emoluments (audited)

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

	2019 £'000	2018 £'000
G D C Burns[1]	–	19
R Ö Prickett[2,5]	27	22
C Cable	20	15
C M Casey	20	15
H F Green[3,6]	22	22
A J R Collins[4]	–	9
A G Evans	20	20
Totals	109	122

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

1 Mr Burns resigned on 12 March 2018.
2 Mr Prickett was appointed as Chairman on 24 March 2018.
3 Chairman of the Audit Committee.
4 Fees paid to Fincorp International Ltd.
5 Fees paid to European Sales Company Ltd.
6 Fees paid to Saffery Champness Management International Limited.

For the year ended 30 June 2019, the annual remuneration payable was as follows:

	£
Chairman	27,000
Chair of the Audit Committee	22,000
Director	20,000

With effect from 1 July 2019, the remuneration of the Chairman was increased to £30,000, the Chair of the Audit Committee to £26,000, and for the other Directors, to £23,000.

*Approval is being sought at the 2019 Annual General Meeting for an increase in the aggregate limit on Directors' Fees. Full details of the proposed increase are provided on pages 19 and 20 of the Directors' Report.

Relative Importance of Spend on Pay

The table below sets,out, in respect of the financial year ended 30 June 2019 and the preceding financial year:

a) the remuneration paid to the Directors; and

b) the distribution made to shareholders by way of dividend.

	Year ended 30 June 2019	Year ended 30 June 2018	% Change
Total remuneration	£109,000	£122,000	(10.7)
Dividend	£3,746,000	£3,745,000	–

Directors' Interests (audited)

Biographies of the Directors are shown on pages 16 and 17.

The interests (all of which were beneficial) of the Directors who held office at the year-end in the shares of the Company were:

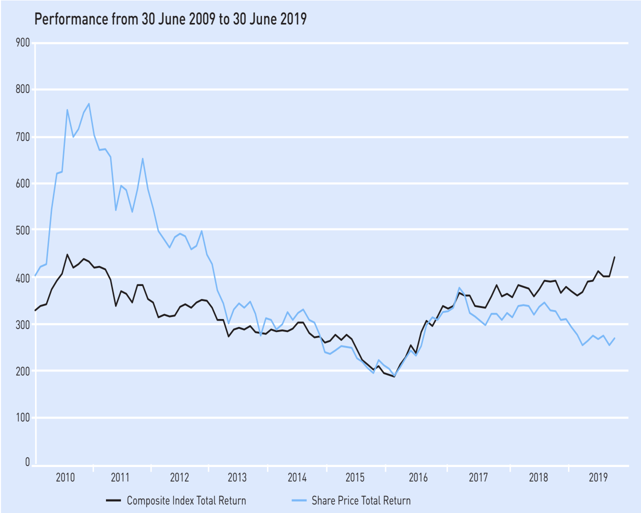
	Ordinary shares 2019	Ordinary shares 2018
R Ö Prickett	65,000	65,000
C Cable	-	-
C M Casey	6,500	-
A G Evans	10,540	10,540
H F Green	5,500	5,500

All of the Directors holdings are beneficial. No changes to these holdings have been reported up to the date of this report.

No Director held any interest in the CULS for the year ended 30 June 2018 or 2019.

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 19. The following graph compares for the ten years to 30 June 2019 the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which a composite index, weighted as to two-thirds Euromoney Global Mining Index (sterling adjusted) and one-third Credit Suisse High Yield Index (sterling adjusted), is calculated. This composite index was chosen as it represents a comparable mix of mining and resource equities and fixed interest securities.



Source: Maitland Administration Services (Scotland) Limited.

Voting at Annual General Meeting

In accordance with the Companies Act 2006, the Company is required to seek shareholder approval of its remuneration policy on a triennial basis. An ordinary resolution for the approval of the remuneration policy was approved by shareholders at the AGM held on 4 December 2018, with 99.61% of votes cast (including votes cast at the Chairman's discretion) in favour and 0.39% votes cast against. It is the Board's intention that the remuneration policy will continue to apply for the next two financial years to 30 June 2021.

The Directors' Remuneration report was last approved by shareholders at the AGM held on 4 December 2018 with 99.61% of the votes cast (including votes cast at the Chairman's discretion) in favour and 0.39% votes cast 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 AGM.

Approval

The Directors' Remuneration Report on pages 26 and 27 was approved by the Board of Directors and signed on its behalf on 14 October 2019.

Richard Prickett
Chairman

Independent Auditor's Report to the Members of CQS Natural Resources Growth and Income PLC

Opinion

We have audited the financial statements of CQS Natural Resources Growth and Income PLC (the 'Company') for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its net return for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs

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

Conclusions relating to principal risks, going concern and viability statement

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

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

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How We Addressed the Key audit matter in the Audit</th></tr>
<tr><td>

Valuation of Investments

Valuation and existence of Investments (note 1 and note 9 of the financial statements)

We consider the valuation and existence of investments (note 9) to be the most significant audit area as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the entity.

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Alternative Investment Fund Manager (AIFM) and Investment Manager, who is remunerated based on the net asset value of the Company. Furthermore, there is an element of subjectivity in the valuation of level 2 and level 3 investments.

</td><td>

We responded to this matter by testing the valuation and existence of 100% of the portfolio of investments. We performed the following procedures:

In respect of 100% of the quoted investment valuations (£65,885,176/75.3%) we have:

- Checked the year end prices to externally quoted prices from reputable sources
- Considered contra indicators of value to suggest that the year-end price is not the most appropriate indication of fair value such as potential liquidity issues
- Confirmed the investment holdings to independently received third party confirmation from the custodian.

In respect of the fixed income and convertible investment valuations (£18,539,557/21.2%) we have:

- Checked the year end prices to externally quoted prices from reputable sources
- Considered contra indicators of value to suggest that the year-end price is not the most appropriate indication of fair value such as potential liquidity issues
- Considered any non-performance of the investment and/or defaults on interest payments
- Confirmed the investment holdings to independently received third party confirmation from the custodian

In respect of the warrant investments (£458,492/0.5%) we have:

- Considered the appropriateness of the valuation methodology applied by the investment manager
- Calculated the value of the warrant using a derivative pricing model and compared this price to the investment portfolio
- Considered the underlying stock and whether there were any contra indicators that could impact the fair value of the warrant
- Considered the duration of the warrant and the time to expiry
- Confirmed the investment holdings to independently received third party confirmation from the custodian

In respect of the unquoted investments (£2,664,186/3.0%) we have:

- Considered the rationale for investments valued at nil and performed independent research to identify any indications of undervaluation
- Agreed the valuations where relevant through to third party valuation report or third party data
- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines
- Re-performed the calculation of the investment valuations
- Challenged the investment manager on the significant assumptions made
- Confirmed the investment holdings to independently received third party confirmation from the custodian.

Where appropriate, we performed sensitivity analysis where alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.

We also considered the completeness and accuracy of investment related disclosures.

Based on our procedures performed we concluded that the valuation of the portfolio of investments was considered to be not materially misstated.

</td></tr>
</table>

Our application of materiality

We consider materiality to be the magnitude by which misstatements, individually or in aggregate, including omissions, could reasonably influence the economic decisions of users that are made on the basis of the financial statements. We apply the concept of materiality both in planning and performing our audit, and in evaluating the results of our work. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £17,000 (2018: £13,000), being 2% of materiality as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Materiality Measure	Purpose	Key considerations and benchmarks	2019 Quantum (£)
Financial Statement Materiality (1% of the value of the investment portfolio) (2018: 1%)	Determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.	• A principal consideration for members of the Company in assessing the financial performance given that the principal activity of the Company is that of an Investment Trust. • The nature and disposition of the investment portfolio.	£870,000 (2018: £1,230,000)
Performance Materiality (75% of Financial Statement Materiality) (2018: 75%)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Risk and control environment.	£652,000 (2018: £920,000)

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken by the Board and the overall control environment.

Based on the understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement and designed audit procedures in response to this assessment, taking account of materiality.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006, the UK Listing rules, the DTR rules, FRS 102 accounting standards, VAT and other taxes.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the Investment Manager, Administrator and the board, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

- Fair, balanced and understandable – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by

the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept , 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 23 May 2017 to audit the financial statements for the year ending 30 June 2017 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years 30 June 2017 to 30 June 2019.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Vanessa-Jayne Bradley
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

14 October 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

	Notes	Year ended 30 June 2019 Revenue £'000	Capital £'000	Total £'000	Year ended 30 June 2018 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	9	–	(13,967)	(13,967)	–	10,009	10,009
Exchange gains		–	176	176	–	334	334
Income	2	2,839	–	2,839	3,700	–	3,700
Investment management fee	3	(234)	(702)	(936)	(290)	(869)	(1,159)
Other expenses	4	(578)	–	(578)	(506)	(18)	(524)
Net return before finance costs and taxation		**2,027**	**(14,493)**	**(12,466)**	**2,904**	**9,456**	**12,360**
Interest payable and similar charges	5	(123)	(588)	(711)	(303)	(1,393)	(1,696)
Net return on ordinary activities before taxation		**1,904**	**(15,081)**	**(13,177)**	**2,601**	**8,063**	**10,664**
Tax on ordinary activities	6	(117)	106	(11)	(404)	284	(120)
Net return attributable to equity shareholders		**1,787**	**(14,975)**	**(13,188)**	**2,197**	**8,347**	**10,544**
Return per ordinary share	8	**2.67p**	**(22.39)p**	**(19.72)p**	**3.28p**	**12.48p**	**15.76p**

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 other comprehensive income is not presented as all gains and losses of the Company have been reflected in the above Statement of Comprehensive Income.
The accompanying notes are an integral part of the financial statements.

Balance Sheet

	Notes	As at 30 June 2019 £'000	As at 30 June 2018 £'000
Fixed assets			
Investments	9	87,547	123,420
Current assets			
Debtors	10	414	681
Cash and cash equivalent		1,466	7,722
		1,880	**8,403**
Creditors: amounts falling due within one year	11	(678)	(2,314)
3.5% Convertible Unsecured Loan Stock 2018	13	–	(34,292)
Net current liabilities/assets		**1,202**	**(28,203)**
Loan	12	(11,000)	–
Net assets		**77,749**	**95,217**
Capital and reserves			
Called-up share capital	14	16,722	16,722
Special distributable reserve		30,386	30,386
Share premium		4,851	4,850
Capital reserve		24,125	39,100
Revenue reserve		1,665	4,159
Equity shareholders' funds		**77,749**	**95,217**
Net asset value per share	15	**116.24p**	**142.35p**

Company number: 02978531

The financial statements on pages 32 to 49 were approved by the Board of Directors and authorised for issue on 14 October 2019 and were signed on its behalf by:

Richard Prickett
Chairman

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

Statement of Changes in Equity

for the year to 30 June 2019

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	CULS Equity Component £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2018	16,722	4,850	30,386	–	39,100	4,159	95,217
Return on ordinary activities after taxation	–	–	–	–	(14,975)	1,787	(13,188)
Dividends paid (see note 7)	–	–	–	–	–	(4,281)	(4,281)
Issue of shares	–	1	–	–	–	–	1
Balance at 30 June 2019	16,722	4,851	30,386	–	24,125	1,665	77,749

For the year ended 30 June 2018

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	CULS Equity Component £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2017	16,721	4,832	30,386	488	30,347	5,975	88,749
CULS conversion	1	18	–	(488)	488	–	19
Return on ordinary activities after taxation	–	–	–	–	8,265	2,197	10,462
Dividends paid (see note 7)	–	–	–	–	–	(4,013)	(4,013)
Balance at 30 June 2018	16,722	4,850	30,386	–	39,100	4,159	95,217

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

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

Cash Flow Statement

	Notes	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Operating activities			
Investment income received		3,056	3,756
Deposit interest received		19	11
Other income received		–	36
Investment management fees paid		(957)	(1,154)
Other payments		(516)	(518)
Net cash inflow from operating activities	16	1,602	2,131
Investing activities			
Purchases of investments		(24,368)	(52,768)
Disposals of investments		44,918	55,875
Net cash inflow from investing activities		20,550	3,107
Financing activities			
Equity dividends paid		(4,281)	(4,013)
Interest on bank facility/overdraft		–	(1)
Interest on 3.5% Convertible Unsecured Loan Stock 2018		–	(1,207)
Repayment of 3.5% Convertible Unsecured Loan Stock 2018		(606)	–
Loan funding		11,000	–
Loan interest		(187)	–
Convertible Unsecured Loan Stock repaid		(34,510)	–
Net cash outflow from financing activities		(28,584)	(5,221)
(Decrease)/increase in net cash		**(6,432)**	**17**
Reconciliation of net cash flow to movement in net cash			
(Decrease)/increase in cash in the year		(6,432)	17
Exchange gains		176	334
Movement in net cash in the year		**(6,256)**	**351**
Opening net cash at 1 July		7,722	7,371
Closing net cash at 30 June		**1,466**	**7,722**

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

Notes to the Financial Statements

for the year to 30 June 2019

1 Accounting Policies

CQS Natural Resources Growth and Income PLC is a company limited by shares, it was incorporated in accordance with the Laws of England and Wales, details of the registered office are included on page 56.

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

(a) Basis of Accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued 2014 and amended in 2017 ('SORP'). They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report on page 19.

Presentation of the Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Statement of Comprehensive Income 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.

(b) Financial assets

All financial assets are initially recognised at fair value net of transactions costs incurred. All financial assets are recorded at the date on which the Company became party to the contractual requirements of the financial asset. Subsequently, they are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Financial liabilities

All financial liabilities are initially recognised at fair value net of transaction costs incurred. All financial liabilities are recorded on the date on which the Company becomes party to the contractual requirements of the financial liability.

Non-derivative finacial liabilities such as loans, loan equivalents, trade and other payables with fixed and determinable payments and not quoted in an active market, are intially recognised at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently carried at amortised cost.

(d) 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 Statement of Comprehensive Income. 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. Unquoted 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, equity investments may be carried at cost less any provision for impairment.

The Directors believe that the applied valuation techniques and assumptions used are appropriate in determining the fair value of unlisted investments. Further details are provided in note 9.

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 Statement of Comprehensive Income as a capital item.

(e) 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. Any difference between acquisition cost and maturity value is recognised as revenue over the life of the security using the effective yield basis of calculating amortisation. 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.

(f) 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 balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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.

(g) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Statement of Comprehensive Income as a revenue item except the following which are charged to capital:

- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- 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.

(h) 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. Instruments held at fair value are translated at the rate prevailing at the time the fair value is determined. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction and before the settlement date is included as an exchange gain or loss in capital reserves. The functional currency of the Company, being its statutory reporting currency, is sterling.

(i) 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.

(j) 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 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.

The CULS were repaid on 28 September 2018.

(k) 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 Statement of Comprehensive Income is added to or deducted from this reserve. Available for paying dividends.

(e) CULS equity component reserve –this balance represents the equity component of the CULS, provided in relation to the Separation of the CULS between its debt and equity components.

(l) Single Segmental Reporting

The company is engaged in a Single Segment of business, being investment business, consequently no business segmental analysis is provided.

(m) 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 above 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 only significant accounting estimate and judgement is the valuation of the unquoted and level 2 investments which is described in note 1(d) above.

The main judgements and estimates used in calculating the price of the Warrants are:

Firstly, the derivative valuation model used to value the warrants. The Investment Manager has selected the Black Scholes Model to value the unlisted warrants as this is a widely accepted warrant valuation model to use.

Secondly, the inputs into the Black-Scholes model as outlined below.

For any unlisted securities the time to maturity to estimate the historic volatility required in the calculations underpinning the Black Scholes Pricing Model is used. The volatility of the underlying equity is obtained, and if this is not available or is not reflective, due to a lack of liquidity etc., then we will look to use the volatility of the parent company or an appropriate proxy.

For any securities with a maturity greater than 1 year the 90 day Volatility is used and for any securities with a maturity less than 1 year the 60 days Volatility is used. These have been deemed appropriate periods to use, as often using the time to expiry has captured market or firm events that have artificially inflated the volatility which has in turn inflated the valuation. If the period used still yields an unreflective level of volatility, then the volatility period used is overridden. When appropriate to extend the period the time to maturity is used, up to a maximum of 400 days, which is in line with Bloomberg's option and warrant valuation model assumptions.

In determining the risk free rate, the swap price discount curve is used for the relevant currency which is derived from data retrieved from Bloomberg.

The swap curve in the Warrant Currency is deemed an appropriate method for approximating the yield curve for the following reasons:

- There is sufficient liquidity and depth of pricing to provide reliable valuations for the Swap curves for the points and currencies that we currently require.
- Using Swaps allows for the same discount rate methodology to be used across the range of maturities of our Warrant portfolio, whereas using other instruments to construct a yield curve would typically be more limited across different tenors. This is relevant to our current portfolio as there is a wide range of time-to-maturities.
- Using Swaps allows for the same discount rate methodology to be used across different currencies, which is applicable to our current portfolio which contain Warrants listed and traded in a range of currencies.

2 Income

	2019 £'000	2018 £'000
Income from investments*		
UK dividend income	143	270
UK unfranked investment income	239	265
Preference share income	579	801
Overseas dividend income	625	518
Overseas fixed interest	1,234	1,800
	2,820	3,654
Other income†		
Deposit interest	19	11
Other income	–	35
	19	46
Total income	2,839	3,700
Total income comprises:		
Dividends	1,347	1,589
Fixed interest securities	1,473	2,065
Deposit interest	19	11
Other income	–	35
	2,839	3,700

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

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

3 Investment Management Fee

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Investment management fee	**234**	**702**	**936**	290	869	1,159

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.

Until 3 April 2018 the Company's annual management fee was 1.2 per cent of net assets. Since 3 April the Company's annual management fee has been 1.2 per cent on net assets up to £150m; 1.1 per cent on net assets above £150m and up to £200m; 1.0 per cent on net assets above £200m and up to £250m; and, 0.9 per cent on net assets above £250m.

The balance due to CQS for management fees at the year end was £73,313 (2018: £94,470).

Investment management fees have been allocated 75 per cent to capital and 25 per cent to revenue (2018: 75% capital, and 25% revenue).

4 Other Expenses (including irrecoverable VAT)

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Secretarial and administration fees	**106**	**–**	**106**	93	–	93
Directors' fees	**105**	**–**	**105**	115	–	115
Directors' NI	**4**	**–**	**4**	7	–	7
Auditor remuneration for statutory audit	**24**	**–**	**24**	24	–	24
Tax advisor remuneration for tax services	**24**	**–**	**24**	10	–	10
Directors' and Officers' liability insurance	**11**	**–**	**11**	11	–	11
Registrar fees	**25**	**–**	**25**	29	–	29
Custody fees	**33**	**–**	**33**	49	–	49
Depositary fees	**21**	**–**	**21**	27	–	27
Other	**225**	**–**	**225**	141	18	159
	578	**–**	**578**	506	18	524

The Company has an agreement with Maitland Administration Services (Scotland) Limited ("Maitland") for the provision of secretarial and administration services. During the year the total fees paid and payable were £106,406 (2018: £93,000). The balance due to Maitland for secretarial services at the year end was £21,542 (2018: £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

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Interest on 3.5% Convertible Unsecured Loan Stock 2018	**75**	**227**	**302**	302	905	1,207
Interest on bank loan	**47**	**140**	**187**	–	–	–
Notional interest on 3.5% Convertible Unsecured Loan Stock 2018	**–**	**–**	**–**	–	487	487
Amortisation of issue expenses	**–**	**221**	**221**	–	1	1
Bank overdraft	**1**	**–**	**1**	1	–	1
	123	**588**	**711**	303	1,393	1,696

Interest payable on the CULS has been allocated 75 per cent to capital and 25 per cent to revenue (2018: 75% capital, and 25% revenue).

6 Tax on Ordinary Activities

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Corporation tax	106	(106)	–	284	(284)	–
Overseas taxation	11	–	11	120	–	120
Total tax charge/(credit)	117	(106)	11	404	(284)	120

Reconciliation of Tax Charge

The tax assessed for the year is the current standard rate of corporation tax in the UK. A reconciliation of the total tax charge is set out below:

	2019 Total £'000	2018 Total £'000
Return on ordinary activities before taxation	(13,177)	10,664
Corporation tax at standard rate of 19.00% (2018: 19.00%)	(2,504)	2,026
Effects of:		
Non taxable income	(256)	(210)
Non taxable losses	2,654	(1,902)
Overseas withholding tax	11	120
Excess management expenses (deferred tax not recognised)	139	149
Non taxable exchange gains	(33)	(63)
Current year tax charge	11	120

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 2019 the Company had surplus management expenses of £7,731,000 (2018: £6,419,000) on which no deferred tax asset has been recognised.

7 Dividends

	2019 Revenue £'000	2018 Revenue £'000
Amounts recognised as distributions to equity holders in the year:		
– Fourth interim dividend for the year ended 30 June 2018 of 2.62p (2017 – 3.02p) per ordinary share	1,752	2,020
– First interim dividend for the year ended 30 June 2019 of 1.26p (2017 – 0.86p) per ordinary share	843	575
– Second interim dividend for the year ended 30 June 2019 of 1.26p (2018 – 0.86p) per ordinary share	843	575
– Third interim dividend for the year ended 30 June 2019 of 1.26p (2018 – 1.26p) per ordinary share	843	843
	4,281	4,013
Amounts relating to the year but not paid at the year end:		
– Fourth interim dividend for the year ended 30 June 2019 of 1.82p (2018 – 2.62p) per ordinary share	1,217	1,752

In accordance with FRS 102 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

Return per ordinary share attributable to shareholders reflects the overall performance of the Company in the year.

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Revenue return	1,787	2,197
Capital return	(14,975)	8,347
Total return	(13,188)	10,544
	Number	Number
Weighted average ordinary shares in issue	**66,888,408**	66,884,094
Revenue return per ordinary share (pence)	2.67	3.28
Capital return per ordinary share (pence)	(22.39)	12.48
Total return per ordinary share (pence)	(19.72)	15.76

For the years ended 30 June 2019 and 30 June 2018 there was no dilution to the revenue return per ordinary share. Additionally, for the year ended 30 June 2019 and 30 June 2018 there was no dilution to the capital return per ordinary share.

9 Investments

	2019 £'000	2018 £'000
Equity shares	**64,347**	80,368
Fixed income securities	**15,583**	21,358
Preference shares	**6,257**	10,095
Treasury stock	**–**	10,485
Placings	**902**	419
Warrants	**458**	695
	87,547	123,420

Included above are unquoted investments of value £2,664,186 (2018: £180,223).

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.

FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland 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; and
- 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.

If the market value of the Level 3 investments fell by 5 per cent, the impact on the profit or loss and the net asset value would have been negative £0.133 million (2018: negative £0.009 million). If the value of the Level 3 investments rose by the same amount, the effect would have been equal and opposite. 5% has been selected as this level of change is considered to be reasonable based on observations of current market conditions.

	Level 1 Listed in UK £'000	Level 1 Listed overseas £'000	Level 2* £'000	Level 3 £'000	2019 Total £'000	2018 Total £'000
Opening book cost	25,365	62,966	23,302	14,762	126,395	130,350
Opening fair value adjustment	2,354	10,596	(1,343)	(14,582)	(2,975)	(17,448)
Opening valuation	27,719	73,562	21,959	180	123,420	112,902
Purchases at cost	10,893	12,302	712	–	23,907	54,286
Conversions/transfers	–	(1,089)	(2,471)	3,560	–	–
Sales – proceeds	(24,966)	(16,675)	(4,148)	(30)	(45,819)	(53,777)
Sales – gains/(losses)	933	2,038	(1,715)	(6,743)	(5,487)	(4,464)
Effective yield	(1)	67	(13)	(40)	13	(25)
Increase in fair value adjustment	(3,830)	(11,849)	1,455	5,737	(8,487)	14,498
Closing valuation	10,748	58,356	15,779	2,664	87,547	123,420
Closing book cost	12,224	59,609	15,667	11,509	99,009	126,395
Closing fair value adjustment	(1,476)	(1,253)	112	(8,845)	(11,462)	(2,975)
Closing valuation	10,748	58,356	15,779	2,664	87,547	123,420

The fair value of Level 3 financial assets has been determined by reference to valuation techniques described in note 1(d) of these financial statements. Judgement has been exercised in each of these valuations in determining the most appropriate valuation methodology and inputs into the valuation models used

The Level 3 investments at the year end, along with the respective valuation methods utilised are as follows:

Agriculture Investment Group Corp Common, which has been valued to rights issue price of $0.5.

Goodbulk Ltd Common USD, which has been values at last traded price of NOK110.

Odyssey Energy Ltd Common NPV, which has been valued using the last price (cash) available before suspension of AUD 0.043.

Pan American Silver Corp CVR's (USD), which has been valued using the price of the underlying security multiplied by the contingency value right.

Satimola (Placement) which has been priced using the last trade price of USD0.2

All other level 3 securities have been price at nil, in the absence of any indicators of higher value.

These securities are priced using evaluated prices from a third party vendor, together with a price comparison made to secondary and tertiary evaluated third party sources. Evaluated prices are in turn based on a variety of sources, including broker quotes and benchmarks. As a result these investments are disclosed as Level 2 – recognising that the fair values of these investments are not as visible as quoted equity investments and their higher inherent pricing risk. However, this does not mean that the fair values shown in the portfolio valuation are not achievable at point of sale.

The gains and losses included in the above table have all been recognised within gains/(losses) on investments in the Statement of Comprehensive Income on page 32. 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.

Gains/(losses) on investments	2019 £'000	2018 £'000
Realised losses on sale	**(5,487)**	(4,464)
Movement in fair value	**(8,487)**	14,498
Realised other	**(6)**	–
Effective yield	**13**	(25)
Gains on investments	**(13,967)**	10,009

During the year the Company incurred transaction costs on the purchases of £8,930 (2018: £15,468) and transaction costs on sales of £17,598 (2018: £26,130).

10 Debtors

	2019 £'000	2018 £'000
Amounts due from brokers	**–**	–
Prepayments and accrued income	**404**	671
VAT recoverable	**10**	10
	414	681

11 Creditors: Amounts Falling Due Within One Year

	2019 £'000	2018 £'000
Amounts due to brokers	**336**	1,698
Corporation tax	**163**	163
Other creditors	**179**	152
Interest on 3.5% Convertible Unsecured Loan Stock 2018	**–**	301
	678	2,314

Included within other creditors is £73,313 (2018: £94,470) due to CQS in respect of management fees.

12 Bank Loan Facility

	2019 £'000	2018 £'000
Bank loan facility	**11,000**	–

The Company has a short term unsecured loan facility with Scotiabank Europe Plc ("Scotiabank"). The facility is due to expire on 20 September 2020 after which it is anticipated the Company will take out a new facility on comparable terms.

As at the year end the unsecured loan facility had a limit of £20 million of which £11 million was drawn down at the year end at an interest rate of 1.82535%.

During the year the convenants of the loan facility have been met. The following are the covenants for the facility:

- the borrower shall not permit the adjusted asset coverage to be less than 3.5 to 1
- the borrower shall not permit the net asset value to be less than £45,000,000
- the loan facility is rolled over every three months and can be cancelled at any time

Reconciliation of Bank loan facility (excluding interest)

	At 30 June 2018 £'000	Cash flow £'000	Currency movements £'000	At 30 June 2019 £'000
Bank facility	–	11,000	–	11,000

13 3.5% Convertible Unsecured Loan Stock 2018

	Nominal number of CULS £'000	Liability component £'000	Equity component £'000
Balance at 30 June 2018	34,511	34,292	–
Amortisation of discount on issue and issue expenses	–	219	–
Transfer of CULS liability discount amortisation	–	–	–
Conversion during the year	(1)	(1)	–
3.5% CULS Repayment	(34,510)	(34,510)	–
Balance at 30 June 2019	**–**	**–**	**–**
Balance at 30 June 2017	34,530	33,824	488
Amortisation of discount on issue and issue expenses	–	–	–
Transfer of CULS liability discount amortisation	–	488	(488)
Conversion during the year	(19)	(20)	–
Balance at 30 June 2018	**34,511**	**34,292**	**–**

On 26 September 2011, the Company issued £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 13 October 2017, the Company issued 17 ordinary shares in connection with the exercise of £65 nominal of the Company's CULS. On 5 April 2018, the Company issued 5,120 ordinary shares in connection with the exercise of £19,319 nominal of the Company's CULS. On 2 October 2018, the Company issued 398 ordinary shares in connection with the exercise of £1,508 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 2018, there was £34,511,074 nominal of CULS in issue of which £34,509,566 was repaid on 28 September 2018.

14 Share Capital

	2019 Shares	2019 £'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 2018	66,888,111	16,722
Conversion of 3.5% Convertible Unsecured Loan Stock 2019		
– Issue of 398 ordinary shares on 2 October 2018	398	–
Total issued ordinary shares of 25p each as at 30 June 2019	66,888,509	16,722

On 2 October 2018, the Company issued 398 Ordinary Shares in connection with the exercise of £1,508 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 13.

15 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £77.7 million (2018: £95.2 million) and on 66,888,509 (2018: 66,888,111) 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

	2019 £'000	2018 £'000
Net return before finance costs and taxation	**(12,466)**	12,360
Gains on investments	**13,967**	(10,009)
Effective yield	**(13)**	(25)
Withholding tax suffered	**(11)**	(120)
Decrease in accrued income	**260**	248
Decrease/(increase) in other debtors	**7**	(1)
Increase in other creditors	**27**	12
Other realised gains	**7**	–
Exchange gains	**(176)**	(334)
Net cash inflow from operating activities	**1,602**	2,131

17 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. Unquoted 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 33.

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 quickly liquidate its investments.

The Company held the following categories of financial instruments as at 30 June 2019:

	2019 £'000	2018 £'000
Financial assets		
Investment portfolio	**87,547**	123,420
Cash at bank and on deposit	**1,466**	7,722
Accrued income	**398**	648
Other debtors	**16**	33
Financial liabilities		
3.5% Convertible Unsecured Loan Stock 2018	**–**	33,292
Loan	**11,000**	–
Amounts due to brokers	**336**	1,698
CULS interest due	**–**	301
Other creditors	**179**	152

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 to 12.

If the investment portfolio valuation fell by 10 per cent at 30 June 2019, the impact on the profit or loss and the net asset value would have been negative £8.8 million (2018: negative £12.3 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.

10% sensitivity has been selected as this level of change is considered to be reasonable based on observations of current 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.

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 £48,000 (2018: £39,000). 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.

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.

Fixed rate

The Company holds fixed interest investments and has fixed interest liabilities. The fixed interest liabilities are disclosed in note 12.

	2019 £'000	2019 Weighted average interest rate (%)*	2019 Weighted average period for which the rate is fixed (years)	2018 £'000	2018 Weighted average interest rate(%)*	2018 Weighted average period for which the rate is fixed (years)
Assets:						
Fixed income and convertible securities	15,583	8.0	5.9	21,358	5.6	3.8
Preference shares	6,257	9.6	n/a	10,095	9.4	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:

30 June 2019	Investments £'000	Cash £'000	Net current assets £'000	Total £'000	Sensitivity Impact +5% £'000	Sensitivity Impact -5% £'000
Canadian Dollar	33,345	1	(333)	33,013	1,650	(1,650)
US Dollar	17,487	13	231	17,731	886	(886)
Australian Dollar	16,607	52	–	16,659	833	(833)
Norwegian Krone	5,537	–	–	5,537	277	(277)
European Euro	1,650	5	–	1,655	83	(83)
Hong Kong Dollar	–	–	–	–	–	–
Swiss Franc	–	–	–	–	–	–
Brazilian Real	–	14	-	14	1	(1)
	74,626	85	(102)	74,609	3,730	(3,730)

30 June 2018	Investments £'000	Cash £'000	Net current assets £'000	Total £'000	Sensitivity Impact +5% £'000	Sensitivity Impact -5% £'000
Canadian Dollar	44,445	1,052	(833)	44,664	2,233	(2,233)
US Dollar	19,137	5,571	213	24,921	1,246	(1,246)
Australian Dollar	20,956	1,063	–	22,019	1,101	(1,101)
Norwegian Krone	5,463	31	–	5,494	275	(275)
European Euro	3,090	69	30	3,189	159	(159)
Hong Kong Dollar	–	1	–	1	–	–
Swiss Franc	–	1	–	1	–	–
Brazilian Real	–	9	–	9	–	–
	93,091	7,797	(590)	100,298	5,014	(5,014)

If the value of the currencies had strengthened against the pound in the portfolio by 5 per cent, the impact on the profit or loss and the net asset value would have been negative 3.7 million (2018: positive £5.0 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.

5% sensitivity has been selected as this level of change is considered to be reasonable based on observations of current 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:

	2019 £'000	2018 £'000
Fixed interest investments	15,583	21,358
Cash and cash equivalents	1,466	7,722
Balances due from brokers	–	–
Interest, dividends and other receivables	414	681
	17,463	29,761

Credit risk on fixed interest investments is considered to be part of market price risk. As at 30 June 2019 and as at 14 October 2019 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 2019 and as at 30 June 2018. No individual investment exceeded 7.8 per cent of net assets as at 30 June 2019 (2018: 16.4 per cent).

As at 30 June 2019, for equity investments representing >1% of the total investments, the Company held 3 per cent or more of issued share capital of the following companies:

	Value per CQS £	Percentage held
REA Holdings 9% 31/12/49	3,300	3.77%
Ascendant Resources	3,167	3.61%

Liquidity risk

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 contractual maturities of the financial liabilities at each Balance Sheet date, based on the earliest date on which payment can be required, were as follows:

30 June 2019	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Current liabilities	515	_	163	678
Short-term liabilities – CULS	–	–	–	–
Loan	–	–	(11,000)	(11,000)
	515	–	(10,837)	(10,322)

30 June 2018	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Current liabilities	1,850	163	–	2,013
Short-term liabilities – CULS	34,593	–	–	34,593
	36,443	163	–	36,606

18 Related Party Transactions

The following are considered related parties: the Board of Directors ('the Board') and CQS/New City Investment Managers ('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 26 and 27, and as set out in the note 4 to the accounts. The beneficial interests of the Directors in the ordinary shares of the Company are disclosed on page 27.

The balance due to Directors for fees at the year end was £12,791 (2018: £Nil).

19 Post Balance Sheet Events

There were no significant post balance sheet events to disclose at the time of signing of this Annual Report.

Glossary of Terms and Definitions

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 xd. 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 24th Annual General Meeting of CQS Natural Resources Growth and Income PLC will be held at One Fleet Place, London EC4M 7WS on 5 December 2019 at 2.00pm 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 2019, together with the auditor's report thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2019.
3. To approve the Company's Dividend Policy.
4. To re-elect Mr R Ö Prickett, who retires annually, as a Director.
5. To re-elect Mrs C Cable, who retires annually, as a Director.
6. To re-elect Mr C M Casey, who retires annually, as a Director.
7. To re-elect Mr A G Evans, who retires annually, as a Director.
8. To re-elect Mrs H F Green, who retires annually, as a Director.
9. To re-appoint BDO 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 pursuant to Article 80 of the Company's Articles of Association, with effect from the financial year commencing 1 July 2019, each of the Directors shall be paid a fee for their services at such a rate (if any) as the Board shall from time to time determine provided that Directors' remuneration shall not exceed in aggregate £175,000 (excluding amounts payable under any other provision of the Articles) per annum.
11. That the Company continues as an investment trust pursuant to the undertaking given by the Board in 2003.
12. 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 £1,672,000, such authorisation to expire at the conclusion of the next annual general meeting of the Company to be held in 2020, 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:

13. That, subject to the passing of resolution 12 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 12, 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 £836,100 (representing approximately 5 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 2020 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.

14. 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 2020 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2020 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.

15. That, a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Maitland Administration Services (Scotland) Limited
Secretary
20 Forth Street
Edinburgh EH1 3LH

14 October 2019

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 6.30 pm on 3 December 2019. 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 14 October 2019, the Company's issued share capital comprised 66,888,5099 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 14 October 2019 is 66,888,5099.

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.

Report of the UK Investment Adviser Relating to Matters under the Alternative Investment Fund Managers' Directive

City Natural Resources Growth and Income PLC

For the year ended 30 June 2019

Risk management systems

CQS (UK) LLP ("the Investment Manager") employs risk management disciplines which monitor the Company's portfolio and to quantify and manage the associated market and other risks. A permanent independent department has been established by the Investment Manager to perform the risk management function. The risk management and performance analysis team ("RMPA") is led by the Chief Risk Officer and is functionally and hierarchically separate from the operating units of the portfolio managers of the Company. RMPA is a dedicated control function over the operating units of the Investment Manager and is not involved in the performance activities of the Company. RMPA has designed, documented and implemented effective risk management policies, processes and procedures in order to identify, quantify, analyse, monitor, report on and manage all material risks relevant to the Company's investment strategy. The systems include third party vendor applications such as Tradar, Sungard Front Arena and MSCI Risk Metrics, complemented with a number of proprietary applications.

Material changes to information required to be made available to investors of the Company

There have been no material changes to be disclosed during the year to 30 June 2019.

Assets of the Company subject to special arrangements arising from their illiquid nature

There are no assets of the Company which are subject to special arrangements arising from their illiquid nature.

Leverage

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on a gross and commitment method. Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions is offset against each other. The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings. The Company's maximum limits and actual leverage levels are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit (AIFM)	200%	200%
Maximum limit (Board)	200%	200%
Actual as at 30 June 2019	116%	116%

Remuneration

The AIFM has adopted a remuneration policy which meets the requirements of the Directive and has been in place for the current financial year of the Company. The year end of the AIFM changed from September to December and therefore the variable remuneration period of the AIFM is the 15 month period ended on 31 December 2018. This does not coincide with the financial year of the Company.

The remuneration process is overseen by the remuneration committee (comprised predominately of independent non-executive parties). An internal working group encompassing senior management is responsible for gathering relevant information (both quantitative and qualitative) to evaluate the performance (both short and long term) of individuals, teams and the AIFM as a whole, against external market benchmarks and to utilise this to develop proposals for fixed and variable remuneration for all staff. The remuneration committee receives these proposals and the supporting information and is responsible for independently reviewing and scrutinising the proposals and evidence provided in line with the AIFM's stated objectives and developing its final recommendations for delivery to the governing body of the AIFM and other entities associated with the AIFM.

The variable remuneration of all staff in excess of a threshold, which includes those individuals categorised as remuneration code staff ("code staff"), is subject to the following:

- deferred payment of up to 50% of the variable remuneration for a period of 3 years,
- deferred remuneration is linked to funds managed by the AIFM ,
- the breaching of certain covenants may lead to forfeiture of deferred remuneration, and
- a claw-back provision of deferred remuneration in certain circumstances including future performance issues by the individuals.

The below information provides the total remuneration paid by the AIFM (and any delegates) during the 15 month period ending, December 31, 2018. This has been presented in line with the information available to the Company. There is no allocation made by the AIFM to each AIF and as such the disclosure reflects the remuneration paid to individuals who are partly or fully involved in the AIF, as well as staff of any delegate to which the firm has delegated portfolio management and/or risk management responsibilities in relation to the AIF.

Of the total AIFM remuneration paid of $112.6 million for the 15 months ended 31 December 2018 to 187 individuals (full time equivalent), $36.5 million has been paid as fixed remuneration determined based upon the FCA guidance with the remainder being paid as variable remuneration.

The AIFM has assessed the members of staff whom it determines to be code staff in line with AIFMD as reflected in SYSC 19b.3.4R. Senior management and staff engaged in the control functions are identified based upon their roles and responsibilities within the AIFM and the delegates. With respect to investment professionals, in determining whether such staff are code staff, due consideration is taken of the allocated capital and trading limits that apply to the funds managed and whether the individuals report into and seek consent for investment decisions from others who are themselves code staff. There are 15 individuals (full time equivalent) who meet this definition and these individuals have collectively been compensated $49.6 million.

Not all individuals are directly remunerated by the AIFM due to the structure of the AIFM entity, however in the interests of meeting the underlying requirement of this disclosure all staff involved have been assessed as if directly remunerated by the AIFM.

Corporate Information

Registered Number
02978531
Registered in England & Wales

Registered Office
Hamilton Centre
Rodney Way
Chelmsford CM1 3BY

Directors
Richard Ö Prickett (Chairman)
Carole Cable
Christopher M Casey
Alun G Evans
Helen F Green (Chair, Audit Committee)

Investment Manager
CQS (UK) LLP
4th Floor
One Strand
London WC2N 5HR

Secretary and Administrator
Maitland Administration Services (Scotland) Limited
20 Forth Street
Edinburgh
EH1 3LH

Solicitors
Dentons UK and Middle East LLP
One Fleet Place
London EC4M 7WS

Financial Adviser and Corporate Broker
Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London E14 5EF

Bankers
HSBC Bank plc
8 Canada Square
London E14 5HQ

Scotiabank
201 Bishopsgate
London EC2M 3NS

Custodian and Depositary
HSBC Bank plc
8 Canada Square
London E14 5HQ

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

Tax Advisor
KPMG LLP
20 Castle Street
Edinburgh EH1 2EG

AIFM
CQS (UK) LLP
4th Floor
One Strand
London WC2N 5HR

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

Shareholder helpline UK: **0371 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

**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.

aic
The Association of Investment Companies

CQS Natural
Resources Growth
and Income PLC