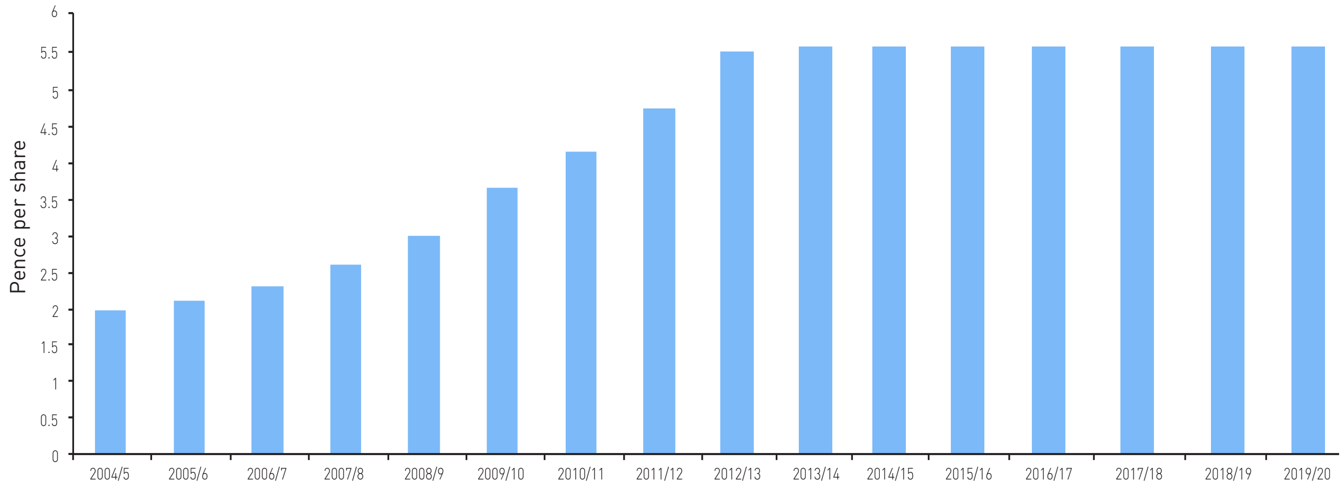
cqs natural resources
growth and income plc

Half-Yearly Financial Report

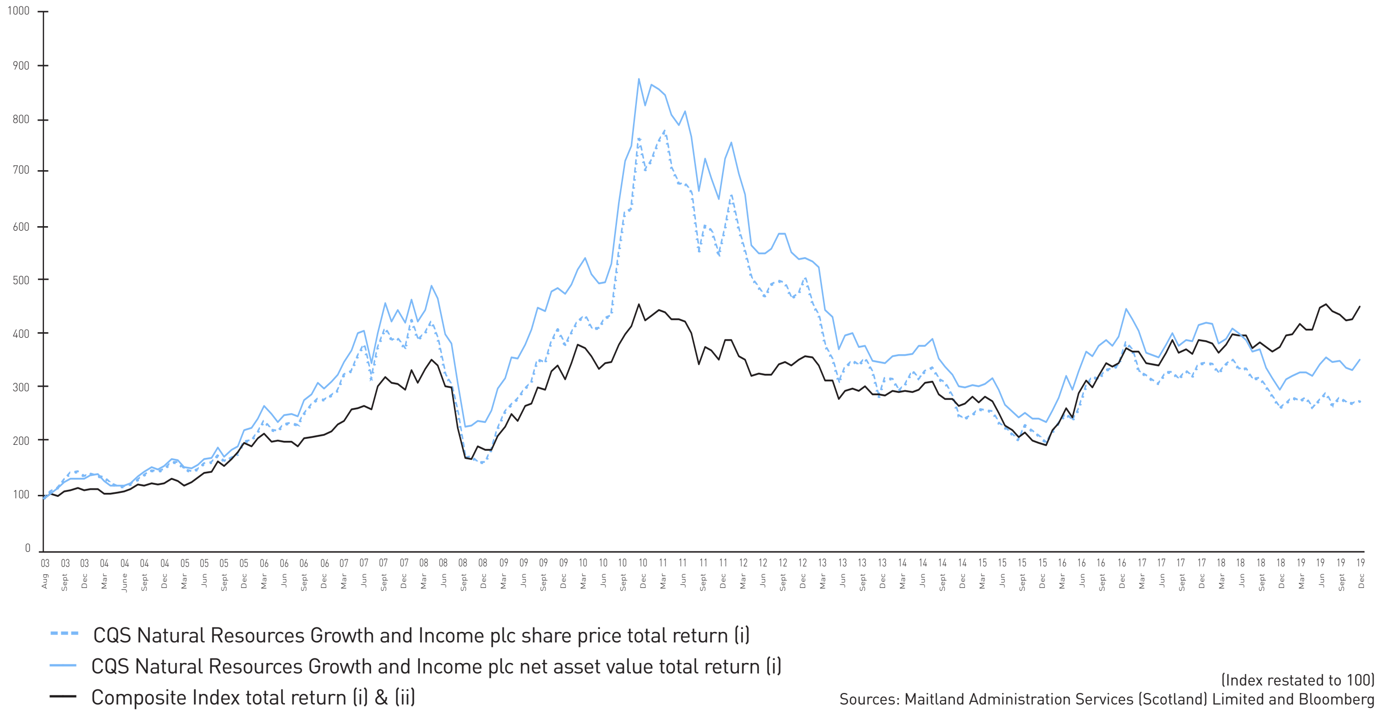
for the six months ended
31 December 2019

Dividends Declared in Respect of Each Financial Year



* 2019/20 assumes that the third interim dividend in respect of the financial year ended 30 June 2020 remains in line with the first and second interim payments paid for that year at 1.26 pence per share and that the fourth interim dividend in respect of the financial year ended 30 June 2020 is estimated to be 1.82 pence per share.

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



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

(i) Net dividends reinvested.

(ii) Composite index of 80 per cent EMIX Global Mining Index (sterling adjusted) and 20 per cent Credit Suisse High Yield Index (sterling adjusted).

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

Our Objective

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

Contents

Financial Highlights

Total Return	Six months ended 31 December 2019	Six months ended 31 December 2018	Year to 30 June 2019	Period from 1 August 2003 to 31 December 2019
Net asset value	2.35%	(25.75)%	(13.88)%	256.19%
Ordinary share price	(0.19)%	(21.57)%	(17.34)%	179.92%
Composite index	0.67%	(5.33)%	12.79%	353.76%
EMIX Global Mining Index (sterling adjusted)	0.92%	(6.89)%	13.20%	373.93%
Credit Suisse High Yield Index [sterling adjusted]	(0.38)%	1.00%	11.13%	307.16%

Capital Values	31 December 2019	30 June 2019	% change period
Net asset value per share	**115.8p**	116.2p	(0.35)%
Ordinary share price (mid market)	**86.2p**	89.3p	(3.47)%

Revenue and Dividends	Six months ended 31 December 2019	Six months ended 31 December 2018
Earnings per ordinary share	**1.50p**	1.20p
Dividends per ordinary share	**2.52p**	2.52p
Dividend Yield*	**6.5%**	6.4%
Discount (difference between share price and fully diluted net asset value)	**25.6%**	15.3%
Gearing		
Gearing	**16.8%**	13.8%
Ongoing charges (as a percentage of average shareholders' funds)	**1.9%**	1.8%

Period's Highs/Lows	Six months ended 31 December 2019 High	Six months ended 31 December 2019 Low
Net asset value	**124.1 p**	107.2p
Ordinary share price (mid market)	**93.3p**	83.4p
Discount	**27.4%**	18.6%

Dividend History	Rate	xd date	Record date	Payment date
Second interim 2020 *	**1.26p**	**23 January 2020**	**24 January 2020**	**28 February 2020**
First interim 2020 *	**1.26p**	**24 October 2019**	**25 October 2019**	**29 November 2019**
Total	**2.52p**			
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			

*based on an annualised dividend of 5.60p (31 December 2018: 5.60p)

Chairman's Statement

Overview

The six months to 31 December 2019 showed a positive performance and recovery from the previous period, however since then, this has been overshadowed by yet another unforeseeable event namely Coronavirus. It is clear that the spread of this virus is now global and western economies will be unable to contain this in the same manner as China. Central banks are clearly engaged to assist where possible, such as the recent surprise interest rate cuts by the US Federal Reserve and the Bank of England. During the coming weeks and months it will be critical to monitor the impact of the spread of this virus on financial markets. So far, there has been a sell off of commodities and global equities as a result of negative sentiment around global economic growth; additionally we have seen significant and recent oil price decline as Russia and Saudi Arabia engage in oil price wars. Over the period under review our portfolio managers had taken some wise precautions in ensuring a large exposure to precious metals, a healthy weighting in fixed income bonds, and a minimal exposure to oil, which we expect should create a more stable performance in this challenging environment.

Investment, Share Performance and Discount

At 31 December 2019 your Company's net asset value ("NAV") per share was 115.8 pence representing a rise of 2.35% as compared to our composite benchmark index which rose by 0.67%.

The discount between NAV and the prevailing share price remains a challenge. As at 31 December 2019 the Company's shares were trading at a discount of 25.6% and at the close of business on 11 March 2020 the discount was 13.4%. The Board is very conscious of this issue and reviews it closely. It remains the Board's aim to mitigate the discount by delivering good long term performance As at 11 March 2020, the Company's NAV is 77.7 pence and the share price is 67.3 pence.

Dividends and Income

Income and dividends have been a focus of the Company since 2003. Dividends paid to shareholders are now 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 totalling 5.6 pence for this year.

Two interim dividends totalling 2.52 pence per share have so far been paid in respect of this financial year. The Company currently intends to pay a third interim dividend of 1.26 pence per share and a fourth interim dividend of 1.82 pence per share making a total dividend for the year of 5.60 pence per share, as per last year.

The Board continues to believe that it is not 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.

The yield on the Company's shares is 8.3 % as at 11 March 2020.

Gearing

As at 31 December 2019 net gearing was 16.8%.

Net gearing currently stands at 20% as at 11 March 2020, with £14 million of the credit facility drawn down.

Outlook

Although Coronavirus has produced an enormous shock to global economies and politics it is important to focus on the medium and longer term in resource markets.

The trade tensions between the US and China that spanned some 18 months and driven volatility during that period were calmed by the phase 1 trade deal between them early in 2020.

The big driver for demand of natural resources will continue to be China. Chinese growth in Q1 will be significantly impacted but we believe that the recovery will be ultimately U shaped over most likely Q2 and Q3 of 2020. It is anticipated that China will use all the tools at their disposal, in order to achieve their growth targets, namely fiscal and monetary policies which will result in increased infrastructure spending.

The case for the continued relevance of your Company's investment objective and policy remains. I wrote in October 2019 that the closed end structure enables the investment manager to invest over the medium to long term without liquidity fears. This, together with the diversified nature of the investment portfolio and the extensive research capabilities of the CQS group continues to provide shareholders with capital growth opportunities and a significant income stream.

Richard Prickett
Chairman

12 March 2020

Investment Manager's Review

Summary

2019 was a year that initially offered much promise for commodities, as steadily growing demand had looked likely to meet slowing production growth, especially in base metals. But the extended impact of a US China trade war weighed on global commodity demand and the tightening balance that would have supported commodity pricing has been deferred again. As we approached the end of 2019, the US and China agreed to a phase 1 agreement on trade, which marked a notable positive shift in sentiment as it felt once again that demand may exceed supply and the balance for commodities would once again tighten.

Unfortunately, yet another unforeseeable event has emerged, with the Coronavirus spreading through China and cases now reported globally. As at the 11 March, the WHO had declared it a pandemic, with widespread restrictions on travel and the closure of schools and public events which will increasingly lead to a demand shock, that has been felt acutely within commodities where prices typically trade on a spot basis. Equities are more anticipatory but resources equities are dominated by spot commodity movements.

Performance

The Company benefited during the six months under review as it maintained a low weighting in energy stocks and a large weight in precious metal miners. We were exposed to a large weighting in base metals which hurt our performance. Overall the fund NAV outperformed and rose by 2.35% ahead of our composite benchmark index which rose by 0.67% and the EMIX Global Mining Index which rose by 0.92% and the Credit Suisse High Yield Index which fell by 0.38%.

Precious metals

Precious metals have outperformed the other segments of the resources sector. This has been supported by increased geopolitical uncertainty, low global yields, Coronavirus disruptions and strong buying from ETF's and Central Banks.

The chart below shows the Gold price in USD and GBP. It is important to note that in many currencies (including GBP) Gold is close to all-time highs.

Gold Price

(Blue = USD, Green= GBP), ETF physical gold holdings (number of Oz) = Yellow

There remains a wide valuation gap between the larger and smaller producers due to the effect of passive ETF's requiring higher levels of liquidity. The Company continues to benefit from holding names that generate materially higher proportional earnings than the peer average, which we believe should outperform either through operational execution or M&A closing the valuation gap.

Base Metals

Base metals had been in the doldrums for some time due to the concerns on the US China trade war and it's impact on demand. When the Phase 1 deal was reached in early December, it lifted base metals, with the economic bell weather copper lifting to $6,200/t, 10.9% higher than its September low. Since this date it has been negatively impacted by concerns on the potential impact from the Coronavirus. China is likely to stimulate their economy heavily through easing interest rates, reducing reserve ratios at banks and investing in large infrastructure projects. As China has excess capacity across much of its manufacturing industry, this may enable some catch up on lost production post this period of slowdown.

Energy

The Company benefited from having minimal exposure to the energy sector, which has continued to struggle as US production growth has depressed global oil and gas prices. At the time of writing Saudi Arabia and Russia have entered a price war as OPEC talks on extending cuts collapsed, which has driven Brent oil down 47% YTD, to $34 per barrel. It has been further impacted by the recent drop in demand from the Coronavirus, although unlike with base metals we remain cautious on the outlook. The primary reason is that OPEC have cut production by 1.7M bbls/day and will be looking to bring that back with any increase in the oil price whilst the growth in global LNG capacity has globalised the US's weak gas pricing, which destroys a major revenue stream for the majors, who are already paying out dividends that appear unsustainable without further selling down of assets. At the same time the growing presence of electric vehicles will further slow oil demand growth in the years to come.

Outlook

The long term fundamentals for commodities remain positive, with strong capital discipline from mining companies leading to minimal capex on new mines or oil fields, resulting in low levels of production growth. Base metal projects especially will be slow in responding to higher pricing due to the long lead times to bring a mine into production, whilst an increasing focus on environmental requirements also makes the permitting of new projects more difficult than seen at any other time. Against this the world is still growing, even if it is slowing in the short term, with higher commodity demand expected in line with a growing GDP.

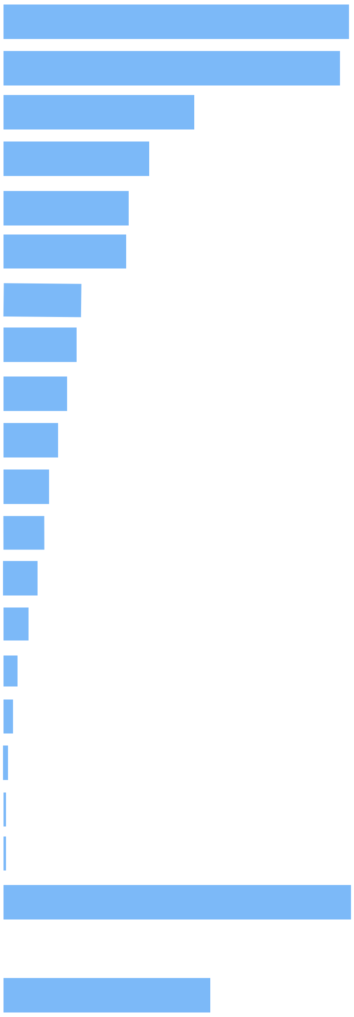
In assessing the potential fallout from the Coronavirus, whilst it is difficult to draw a direct comparison with SARS, it is still the best comparison we have. SARS saw a 3-month negative impact on commodity demand, before it quickly rebounded. China is a much larger component of global commodity demand than in 2003, meaning that short term pressures are larger, but as we look to SARS we can see that once the worst of SARS had passed demand sharply recovered. Whilst we cannot say with any certainty on how this recovery may look, President Xi Jinping of China has indicated that China will provide large levels of stimulus to support the Chinese economy, which is further supportive for a sharp rebound. Unfortunately, at this time the duration remains uncertain, thus the ultimate fallout from the Coronavirus is unknown. The fund's precious metal weighting should offer some protection against an extended Coronavirus impact.

This is also an election year in the United States of America, meaning Donald Trump will be looking for a strong and stable economy in to the November election. This suggests it is less likely we will see the geopolitical shocks we have seen previously, whilst the agreement on a phase 1 trade deal with China should improve trade stability.

Ian Francis, Keith Watson and Rob Crayfourd
New City Investment Managers

12 March 2020

Classification of Investment Portfolio by Sector



	As at 31 December 2019 % of total investments	As at 31 December 2018 % of total investments
Gold	15.2	15.7
Copper	14.8	13.0
Shipping	8.4	5.5
Oil & Gas	6.4	3.4
Silver	5.5	2.7
Zinc	5.4	8.8
Base metals	3.4	2.2
Oil & Gas Storage and Transportation	3.2	1.1
Uranium	2.8	4.5
Iron	2.4	2.5
Coal	2.0	2.2
Nickel	1.8	0.5
Lithium	1.5	1.4
Rare earth	1.4	1.1
Platinum	0.6	0.4
Palm oil	0.4	0.6
Alternative energy	0.2	1.6
Steel	0.1	0.1
Agriculture	0.1	0.6
Fixed Interest Securities	15.3	20.4
Treasury Stock	–	–
Preference Shares	9.1	11.7
Total Investments	**100.0**	**100.0**

Classification of Investments by Stockmarket Quotation

	As at 31 December 2019 % of total investments	As at 31 December 2018 % of total investments
Canada	**36.8**	33.4
UK	**17.3**	20.1
US	**18.5**	21.9
Australia	**13.9**	17.7
Europe	**10.5**	6.5
Unquoted	**3.0**	0.4
Total Investments	**100.0**	100.0

Investment Portfolio

As at 31 December 2019

Company	Sector	Valuation £'000	Total Investments %
First Quantum Minerals** (Note 1)	Copper	7,365	8.1
Rea Holdings** (Note 2)	Palm Oil	5,187	5.7
BW LPG	Shipping	4,404	4.9
Hurricane Energy (Note 3)	Oil & Gas	4,308	4.8
Euronav Luxembourg (Note 4)	Oil & Gas Storage & Transportation	3,998	4.4
Ero Copper	Copper	3,701	4.1
Americas Gold and Silver** (Note 5)	Silver	3,648	4.0
West African Resources	Gold	3,434	3.8
Trevali Mining	Zinc	2,743	3.0
Ascendant Resources** (Note 6)	Zinc	2,146	2.4
Top ten investments		40,934	45.2
Goodbulk	Shipping	2,109	2.3
Raven Russia	Property	2,055	2.3
Tizir Ltd 9.5% 19/07/2022	Mineral Sands	2,035	2.2
Integra Resources	Gold	1,800	2.0
Adriatic Metals	Iron	1,735	1.9
Talon Metals	Nickel	1,664	1.8
Central Asia Metals	Copper	1,611	1.8
Oilflow SPV 1 DAC 12% 13/01/2022	Oil & Gas	1,536	1.7
Roxgold	Gold	1,513	1.7
Diversified Gas & Oil	Oil & Gas	1,427	1.6
Top twenty investments		58,419	64.5
NexGen Energy	Uranium	1,425	1.6
Arch Coal	Coal	1,424	1.6
Trafigura Group Pte 6.875% Variable Perpetual	Finance	1,420	1.6
Sigma Lithium Resources	Lithium	1,349	1.5
LBG 7.875% Variable Perpetual	Finance	1,260	1.4
Lynas Corporation	Rare Earth	1,236	1.4
Concho Resources	Oil & Gas	1,057	1.2
Metals X	Gold	1,031	1.1
Foran Mining	Copper	962	1.1
Ecclesiastical Insurance Preferred 8.625%	Perpetual Finance	930	1.0
Top thirty investments		70,513	78.0
Adventus Mining	Base metals	900	1.0
Base Resources	Mineral Sands	895	1.0
PetroTal	Oil & Gas	883	1.0
Calibre Mining	Gold	868	1.0
Balfour Beatty Preferred 9.675% 01/07/2020	Other investments	867	1.0
2020 Bulkers	Shipping	818	0.9
Silver Lake Resources	Silver	817	0.9
Aquila Resources	Gold	761	0.8
Independence Group	Gold	678	0.7
Galena Mining	Base metals	642	0.7
Top forty investments		78,642	87.0
Asanko Gold	Gold	621	0.7
American Tanker Inc 9.25% 22/02/2022	Shipping	620	0.7
Westgold Resources	Gold	609	0.7
Capstone Mining Corporation	Copper	573	0.6
Odyssey Energy	Oil & Gas	568	0.6
Platinum Group Metals**	Platinum	553	0.6
Gran Colombia Gold Corp 8.25% 30/04/2024	Gold	540	0.6
Pretium Resources	Gold	518	0.6
Elematic Oyj 10% 30/06/2021	Oil & Gas	518	0.6
Fortuna Silver Mines	Silver	516	0.6
Top fifty investments		84,278	93.3

Company	Sector	Valuation £'000	Total Investments %
Ur-Energy	Uranium	513	0.6
Pure Gold Mining	Gold	466	0.5
Oklo Resources	Gold	413	0.5
Jupiter Mines	Iron	394	0.4
Lundin Mining	Base metals	392	0.4
Teck Resources	Coal	380	0.4
Oro Negro 7.5% 24/01/2019	Oil & Gas	326	0.4
Fission Uranium	Uranium	301	0.3
Vintage Energy	Oil & Gas	297	0.3
Avance Gas	Shipping	273	0.3
Top sixty investments		88,033	97.4
Denison Mines	Uranium	266	0.3
Guyana Goldfields	Gold	250	0.3
Bluestone Resources**	Base metals	240	0.3
St George Mining**	Gold	225	0.2
Sabina Gold & Silver	Gold	220	0.2
Polarcus	Oil & Gas	211	0.2
Contura Energy	Alternative energy	137	0.1
Cardinal Resources	Gold	132	0.1
Precision Drilling	Oil & Gas	105	0.1
Hummingbird Resources	Gold	105	0.1
Top seventy investments		89,924	99.3
Petro Matad	Oil & Gas	93	0.1
Sherritt International Corp 8% 15/11/2021	Nickel	83	0.1
Clean Seed Capital Group	Agriculture	67	0.1
Stelco Holdings	Steel	63	0.1
Agriculture Investment Group	Agriculture	56	0.1
Valore Metals	Gold	53	0.1
Santacruz Silver Mining	Silver	53	0.1
Mandalay Resources	Gold	44	–
Samco Gold	Gold	38	–
Amani Gold Limited Common NPV	Gold	21	–
Top eighty investments		90,495	100.0
Other investments		13	–
Total investments		90,508	100.0

Note 1 - Includes First Quantum Minerals valued at £6,588,891 and First Quantum Minerals 7.5% 01/04/2025 valued at £775,647.

Note 2 - Includes REA Holdings 9% preference shares values at £4,284,047, REA Finance 8.75% 31/08/2020** valued at £485,375 and R.E.A. Holdings valued at £318,000.

Note 3 - Includes Hurricane Energy valued at £3,084,409 and Hurricane Energy Convertible 7.5% 24/07/2022 valued at £1,224,078.

Note 4 - Includes Euronav valued at £2,910,592 and Euronav Luxembourg SA 7.5% 31/05/2022 valued at £1,086,963.

Note 5 - Includes Americas Silver valued at £3,513,065 and Americas Silver warrants** valued at £134,779.

Note 6 - Includes Ascendant Resources valued at £2,103,431 and warrants** valued at £42,912.

* Denotes an unquoted security

** Denotes a Level 2 security

Top Ten Largest Holdings

	Valuation 30 June 2019 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 31 December 2019 £'000
First Quantum ** (Note 1) Primarily a copper producer with mines in Africa and a large development project in Panama.	**6,866**	276	–	223	**7,365**
REA Holdings ** (Note 2) The company cultivates oil palms and produces crude oil palm and other palm products.	**4,021**	–	–	1,166	**5,187**
BW LPG The world's leading owner and operator of LPG carriers.	**3,417**	–	(1,027)	2,014	**4,404**
Hurricane Energy (Note 3) Developer of a large oil discovery in the West of Shetland.	**4,549**	853	–	(1,094)	**4,308**
Euronav NV ** (Note 4) The world's largest independent crude oil company.	**2,214**	1,270	–	514	**3,998**
Ero Copper A copper producer with mining assets in Brazil.	**4,620**	–	(1,165)	246	**3,701**
Americas Gold and Silver ** (Note 5) The Company mines silver, zinc, lead and copper.	**2,917**	584	(1,058)	1,205	**3,648**
West African Resources An Australian listed gold developer and explorer with the Sanbrado discovery in Burkina Faso.	**3,034**	–	(455)	855	**3,434**
Trevali Mining Trevali produces and explores for zinc and lead in Peru.	**2,828**	446	–	(531)	**2,743**
Ascendant Resources ** (Note 6) A zinc producer that acquired the mine called El Mochito from Nyrstar for $0.5m.	**3,234**	–	–	(1,088)	**2,146**
	37,700	3,429	(3,705)	3,510	**40,934**

At 31 December 2019, these investments totalled £40,934,562 or 45.2% of the investment portfolio.

Condensed Income Statement

	Notes	Six months ended 31 December 2019 (unaudited) Revenue £'000	Capital £'000	Total £'000	Six months ended 31 December 2018 (unaudited) Revenue £'000	Capital £'000	Total £'000	Year ended 30 June 2019 (audited) Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	–	1,171	1,171	–	(24,030)	(24,030)	–	(13,967)	(13,967)
Exchange gains on currency balances		–	2	2	–	203	203	–	176	176
Income	4	1,409	-	1,409	1,345	–	1,345	2,839	–	2,839
Investment management fee		(117)	(351)	(468)	(123)	(366)	(489)	(234)	(702)	(936)
Other expenses		(247)	–	(247)	(296)	–	(296)	(578)	–	(578)
Net return before finance costs and taxation		1,045	822	1,867	926	(24,193)	(23,267)	2,027	(14,493)	(12,466)
Interest payable and similar charges		(32)	(96)	(128)	(93)	(498)	(591)	(123)	(588)	(711)
Net return on ordinary activities before taxation		1,013	726	1,739	833	(24,691)	(23,858)	1,904	(15,081)	(13,177)
Tax on ordinary activities		(7)	31	24	(33)	31	(2)	(117)	106	(11)
Net return attributable to equity shareholders	5	1,006	757	1,763	800	(24,660)	(23,860)	1,787	(14,975)	(13,188)
Return per ordinary share	5	1.50p	1.13p	2.63p	1.20p	(36.87)p	(35.67)p	2.67p	(22.39)p	(19.72)p

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

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

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

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

Condensed Balance Sheet

	Notes	As at 31 December 2019 (unaudited) £'000	As at 31 December 2018 (unaudited) £'000	As at 30 June 2019 (audited) £'000
Fixed assets				
Investments		**90,508**	78,690	87,547
Current assets				
Debtors		**436**	84	414
Cash at bank and on deposit		**976**	4,524	1,466
		1,412	4,608	1,880
Creditors: amounts falling due within one year				
Other payables		**(468)**	(534)	(678)
		(468)	(534)	(678)
Net current assets		**944**	4,074	1,202
Bank loan	7	**(14,000)**	(14,000)	(11,000)
Net assets		**77,452**	**68,764**	**77,749**
Capital and reserves				
Called-up share capital		**16,722**	16,722	16,722
Special distributable reserve		**30,386**	30,386	30,386
Share premium		**4,851**	4,852	4,851
Capital reserve		**24,882**	14,441	24,125
Revenue reserve		**611**	2,363	1,665
Equity shareholders' funds	6	**77,452**	**68,764**	**77,749**
Net asset value per share	6	**115.8p**	**102.8p**	**116.2p**

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

Condensed Statement of Changes in Equity

For the 6 months to 31 December 2019 (unaudited)

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2019	16,722	4,851	30,386	24,125	1,665	77,749
CULS conversion and buyback	–	–	–	–	–	–
Return on ordinary activities after taxation	–	–	–	757	1,006	1,763
Dividends paid	–	–	–	–	(2,060)	(2,060)
Balance at 31 December 2019	16,722	4,851	30,386	24,822	611	77,452

For the 6 months to 31 December 2018 (unaudited)

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2018	16,722	4,851	30,386	39,101	4,158	95,218
CULS conversion and buyback	–	1	–	–	–	1
Return on ordinary activities after taxation	–	–	–	(24,660)	800	(23,860)
Dividends paid	–	–	–	–	(2,595)	(2,595)
Balance at 31 December 2018	16,722	4,852	30,386	14,441	2,363	68,764

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.

Condensed Cash Flow Statement

	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Operating activities			
Investment income received	1,559	1,900	3,056
Deposit interest received	2	14	19
Investment management fees paid	(311)	(180)	(957)
Other cash payments	(293)	(372)	(516)
Net cash inflow from operating activities	957	1,362	1,602
Investing activities			
Purchases of investments	(13,333)	(18,419)	(24,368)
Disposals of investments	11,072	37,432	44,918
Net cash inflow from investing activities	(2,261)	19,013	20,550
Financing activities			
Equity dividends paid	(2,060)	(2,595)	(4,281)
Interest on 3.5% Convertible Unsecured Loan Stock 2018	–	(604)	(606)
3.5% Convertible Unsecured Loan Stock 2018 repaid	-	(34,510)	(34,510)
Loan Funding	3,000	14,000	11,000
Loan interest	(128)	–	(187)
Interest paid on Bank Facility	–	(67)	–
Net cash outflow from financing activities	812	(23,776)	(28,584)
Decrease in net cash	**(492)**	**(3,401)**	**(6,432)**
Reconciliation of net cash flow to movement in net cash			
Decrease in cash in the period	(492)	(3,401)	(6,432)
Exchange movements including forward contracts	2	203	176
Movement in net cash in the period	**(490)**	**(3,198)**	**(6,256)**
Opening net cash at 1 July	1,466	7,722	7,722
Closing net cash at 31 December / 30 June	**976**	**4,524**	**1,466**

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

Notes to the Accounts

1. The unaudited half-yearly results which cover the six months to 31 December 2019 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 30 June 2019.

   Foreign currency
   Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in either the capital or revenue column of the Statement of Comprehensive Income depending on whether the gain or loss is of a capital or revenue nature respectively.

2. A first interim dividend of 1.26p per share was paid on 29 November 2019 and a second interim dividend of 1.26p per share was paid on 28 February 2020.

3. Included within gains on investments for the period ended 31 December 2019 are realised gains of £2,053,001 and unrealised losses of £882,072.

4. The breakdown of income for the six months to 31 December 2019, 31 December 2018 and the year to 30 June 2019 was as follows:

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000	Year ended 30 June 2019 £'000
Income from investments:			
UK dividend income	**53**	104	143
UK unfranked interest income	**71**	132	239
Preference share income	**154**	329	579
Overseas dividend income	**638**	233	625
Overseas interest income	**491**	533	1,234
	1,407	1,331	2,820
Other income:			
Deposit interest	**2**	14	19
Total income	**1,409**	1,345	2,839

5. **Return per ordinary share**
   Return per ordinary share attributable to shareholders reflects the overall performance of the Company in the period. Net revenue recognised in the first six months is not necessarily indicative of the total likely to be received in the full accounting year.

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000	Year ended 30 June 2019 £'000
Revenue return	**1,006**	800	1,787
Capital return	**757**	(24,660)	(14,975)
Total return	**1,763**	(23,860)	(13,188)
	Number	Number	Number
Weighted average ordinary shares in issue	**66,888,509**	66,888,312	66,888,408

6. Net asset value per ordinary share

	31 December 2019	31 December 2018	30 June 2019
Net asset value per share	**115.8p**	102.80p	116.2p
Net assets attributable at end of period	**£77.5m**	£68.8m	£77.7m
Ordinary shares of 25p each in issue at end of period	**66,888,509**	66,888,509	66,888,509

7. Bank Loan

	31 December 2019	31 December 2018	30 June 2019
Loan Facility	**(14,000)**	(14,000)	(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 31 December 2019 the unsecured loan facility had a limit of £20 million of which £14 million was drawn down at the period end at an interest rate of 1.85098%.

During the year the covenants 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

8. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	Six months ended 31 December 2019 £'000s	Six months ended 31 December 2018 £'000s	Year ended 30 June 2019 £'000s
Net return before finance costs and taxation	**1,867**	(23,267)	(12,466)
Adjust for returns from non-operating activities:			
– Gains on investments	**(1,171)**	24,030	13,967
– Exchange gains	**(2)**	(203)	(176)
– Effective yield	**33**	(12)	(13)
Return from operating activities	**727**	548	1,312
Adjust for non-cash flow:			
– Decrease/(increase) in accrued income	**134**	(583)	260
– (Increase)/decrease in debtors	**(15)**	(14)	7
– Increase in creditors	**126**	1,413	27
– Withholding tax	**(15)**	(2)	(11)
– Other realised gains	**–**	–	7
Net cash inflow from operating activities	**957**	1,362	1,602

9. With effect from 19 May 2019, CQS (UK) LLP, trading as New City Investment Managers, became the Company's Investment Manager. The Investment Manager receives a monthly fee at the rate of 0.1 per cent of the Company's gross assets (excluding cross-holdings) less current liabilities and any borrowings, payable in arrears. During the period investment management fees of £468,070 were incurred, of which £230,356 was payable at the period end.

10. After making enquiries and having considered the Company's investment objective, nature of the investment portfolio, bank facility and expenditure projections, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing this report.

11. The results for the six months ended 31 December 2019 and 31 December 2018, which have not been reviewed by the Company's auditors pursuant to the Auditing Practices Board guidance on "Review of Interim Financial Information", constitute non-statutory accounts in terms of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 June 2019; the report of the auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The abridged financial statements shown above for the year ended 30 June 2019 are an extract from those accounts.

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

    All transactions with related parties are carried out on an arms length basis.

    There are no other transactions with the Board other than aggregated remuneration for services as Directors. There are no outstanding balances to the Board at the period end.

    Details of the fee arrangement with the Investment Manager are disclosed in note 10.

13. The report and accounts for the six months ended 31 December 2019 will be posted to shareholders and made available on the website www.ncim.co.uk. Copies may also be obtained from the Company Secretary, Maitland Administration Services (Scotland) Limited, 20 Forth Street, Edinburgh, EH1 3LH.

Interim Management Report and Responsibility Statement

The Chairman's Statement on page 3 and the Investment Manager's Review on pages 4 to 5 give details of the important events which have occurred during the period and their impact on the financial statements.

Principal Risks and Uncertainties

The Company's assets consist principally of listed equities and fixed interest securities and its principal risks are therefore market related. The Company is also exposed to currency risk in respect of the markets in which it invests. Other key risks faced by the Company relate to investment and strategy, market, sector, financial, earnings and dividend, operational, regulatory and political. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal risks and risk mitigation' within the Strategic Review contained within the Company's annual report and accounts for the year ended 30 June 2019. The Company's principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the rest of the Company's financial year.

Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

Going Concern

The Directors, having considered the Company's investment objective, the nature and liquidity of the portfolio and the income and expenditure projections, consider that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and is financially sound. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities in Respect of the Interim Report

The Board of Directors confirms that, to the best of its knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules ("DTR") 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the interim management statement and condensed set of financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Richard Prickett
Chairman

12 March 2020

Corporate Information

Registered Number

02978531
Registered in England & Wales

Registered Office

Maitland Administration Services Limited
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Rodney Way
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Carole Cable
Christopher Casey
Alun G Evans
Helen F Green*

Investment Manager

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Secretary and Administrator

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AIFM

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Shareholder helpline overseas: **+44 121 415 7047**

Shareholder Information

Net Asset Value/Share Price

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

Website

www.ncim.co.uk

*Chairman of the Audit Committee

**Calls 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.

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The Association of Investment Companies

cqs natural resources

growth and income plc