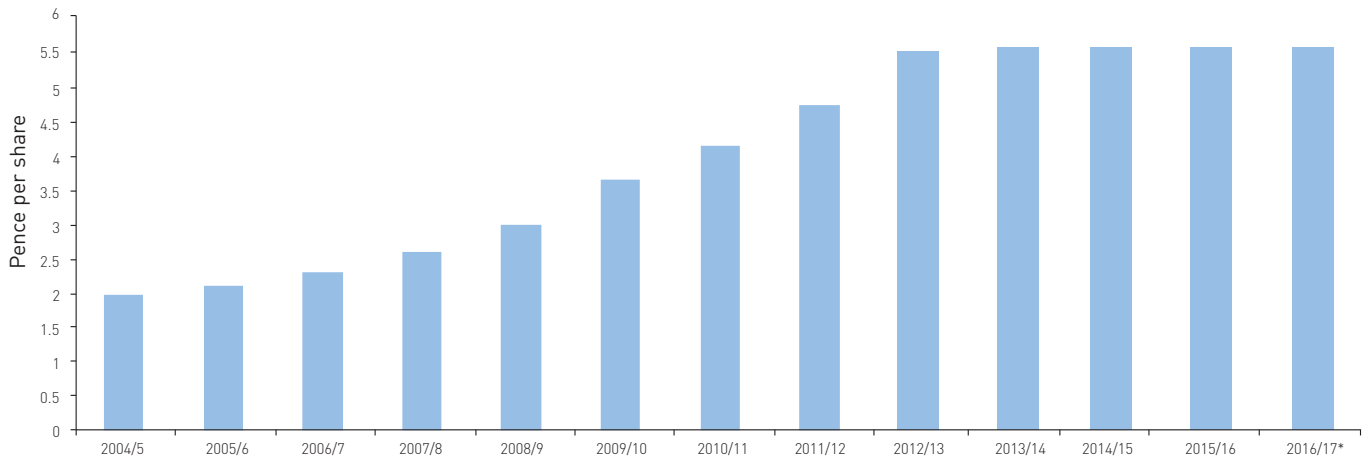


citynatural
resources
high yield trust plc



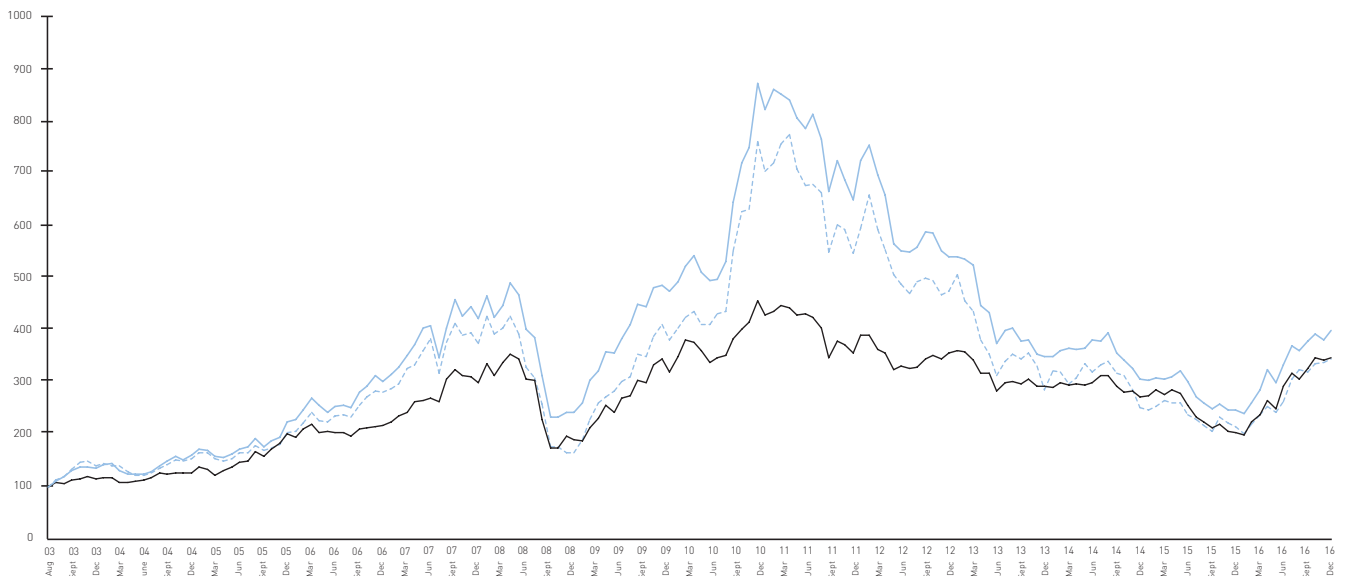
Interim Report
for the six months ended
31 December 2016

Dividends Declared in Respect of Each Financial Year



* 2016/17 assumes that the third interim dividend in respect of the financial year ended 30 June 2017 remains in line with the first and second interim payments paid for that year at 0.86 pence per share and that the fourth interim dividend is in line with the fourth interim dividend paid in respect of the financial year ended 30 June 2016 of 3.02 pence per share.

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



- City Natural Resources High Yield Trust share price total return (i)
- City Natural Resources High Yield Trust net asset value total return (ii)
- Composite Index total return (i) & (ii)

(Index restated to 100)
Sources: R&H Fund Services 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).

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

Our Objective

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

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Financial Highlights

Total Return	Six months ended 31 December 2016	Six months ended 31 December 2015	Year to 30 June 2016	Period from
				1 August 2003 to 31 December 2016
Net asset value	19.4%	-17.9%	10.7%	299.1%
Ordinary share price	30.8%	-9.7%	10.8%	245.8%
Composite index	18.8%	-20.7%	14.2%	248.9%
Euromoney Global Mining Index (sterling adjusted)	19.4%	-30.5%	13.0%	239.9%
Credit Suisse High Yield Index [sterling adjusted]	17.8%	-2.3%	16.5%	266.9%

Capital Values	31 December 2016	30 June 2016	% change period
Net asset value per share	148.5p	127.4p	16.5%
Ordinary share price (mid market)	125.0p	98.5p	26.9%
3.5% Convertible Unsecured Loan Stock ("CULS") (mid market)	97.8p	95.5p	2.4%

Revenue and Dividends	Six months ended 31 December 2016	Six months ended 31 December 2015
Earnings per ordinary share	2.10p	2.80p
Dividends per ordinary share	1.72p	1.72p
Dividend Yield*	4.5%	6.8%
Discount (difference between share price and fully diluted net asset value)	15.8%	14.6%
Gearing		
Gearing provided by CULS	21.7%	17.4%
Ongoing charges (as a percentage of average shareholders' funds)	1.3%	1.9%

Period's Highs/Lows	Six months ended 31 December 2016	Six months ended 31 December 2016
	High	Low
Net asset value	148.55p	128.32p
Ordinary share price (mid market)	125.00p	98.25p
Discount	33.7%	12.8%

Dividend History	Rate	xd date	Record date	Payment date
Second interim 2017	0.86p	26 January 2017	27 January 2017	28 February 2017
First interim 2017	0.86p	27 October 2016	28 October 2016	25 November 2016
Total	1.72p			
Fourth interim 2016	3.02p	28 July 2016	29 July 2016	26 August 2016
Third interim 2016	0.86p	28 April 2016	29 April 2016	27 May 2016
Second interim 2016	0.86p	28 January 2016	29 January 2016	29 February 2016
First interim 2016	0.86p	29 October 2015	30 October 2015	27 November 2015
Total	5.60p			

*based on an annualised dividend of 5.60p (31 December 2015: 5.60p)

Chairman's Statement 3

Introduction

An interesting six months, which began with us digesting the outcome of the Brexit vote and ended with us digesting the prospects of a Trump Presidency. In spite of such a volatile backdrop, I am pleased to be able to report continuing good performance; the Company's strong rally in the first half of 2016 continued into the second half of the year and, indeed, into the first part of 2017.

Investment and Share Price Performance

At 31 December 2016 your Company's net asset value stood at 148.5 pence, giving a net asset value total return for the six months of 19.4 per cent. The benchmark index returned 18.8 per cent.

The Company's ordinary share price total return of 30.8 per cent for the six months was better than the net asset value total return, reflecting a narrowing in the discount at which the Company's shares trade from 22.7 per cent to 15.8 per cent during the period.

The average discount over the year to 31 December 2016 was 17.9 per cent, and over three years it was 17.4 per cent. I wrote at some length in September 2016 on discount control, and it remains the Board's aim to mitigate the discount at which the Company's shares trade by long term good performance. Over the long term, since the redirection of the Company in 2003, net asset value total return is 299.1 per cent, ordinary share price total return 245.8 per cent, and benchmark total return 248.9 per cent.

The share price is 126.25 pence and the discount stands at 18.0 per cent at the time of writing, the Company's net asset value having pushed on to 153.99 pence.

Income and Dividends

Income and dividends have been a focus of the Company since 2003. Dividends have increased by 280 per cent since then, and we believe they contribute an important element of stability in our volatile asset class.

Two interim dividends of 0.86 pence per share have been paid in respect of this year, the same level as those paid last year.

Earnings per share were 2.10 pence compared to 2.80 pence for the comparative period. Last year's full year dividend of 5.60 pence was not covered, and although the Board expects income to be stronger in the second half of this year as a result of sector recovery and portfolio repositioning, it expects that to again be the case. I would repeat that the Board has no qualms about utilizing revenue reserves to maintain current dividend levels so long as longer term income generation is deemed safe. The revenue reserve, which stands at 6.8 pence after the payment of the second interim dividend, has been built up against just this sort of eventuality.

The yield on the Company's shares is 4.4 per cent as I write.

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

Gearing was generally maintained in the range of 20 to 25 per cent of shareholders' funds during the period, 25 per cent being the upper limit allowed under the Company's investment policy. It was 21.7 per cent at 31 December 2016.

The Company had £34.5 million nominal of CULS in issue at 31 December 2016. The CULS price rose marginally from 95.5 pence to 97.8 pence during the six months.

Outlook

When I wrote to you in September, I said that the outlook for commodity markets had improved and that there were grounds for optimism as to the durability of the recovery. The exit from a super-cycle, as emerging markets growth slowed, especially in China, was accompanied by the inevitable excesses of supply as mining companies over expanded, and valuations reflected bankruptcy fears as funding evaporated. The recent recovery in commodity prices has presented widespread failures. In addition, improvements in balance sheet discipline, the reinstatement of dividends, and better governance, underpin that optimism of which I spoke.

While the sector progress is encouraging, it would be hard to argue that global and macro risks have reduced. China is still seen by some as liable to slump into recession, devaluation and crisis; equally, of course, the reasons for concern are nothing new, with credit growth and capital flight still heading the list; the jury, of course, remains out. The apparent cap on oil prices in the face of the responsiveness of US production may help the case for the defence. Political risk has certainly increased, above all in relation to the United States, with pessimists pointing to a certain lack of coherence in a policy apparently to be based on increased spending and tax cuts; on protectionism and deregulation. From your Company's perspective, at least that spending is to be concentrated on infrastructure, but the financing of that could be challenging if a trade war with China leads to the latter withdrawing from lending to the US government.

Equity markets have seemingly accentuated only the positive from the above, and market volatility has been generally low. It has been left to the bond markets to reflect some of the risks, with global bond yields and spreads rising. In the view of the Federal Reserve, at least, a turning point has been reached in the interest rate cycle, while Europe's and Japan's increasingly desperate addiction to cheap credit do not feel deflationary anymore.

In such a world, the improvements and discipline that have been forced on commodity markets during five difficult years now stands them in good stead, with a new found realism that just may continue to repay the patience and confidence that shareholders manifested in the bad times.

Geoff Burns
Chairman

9 March 2017

*Source: Cantor Fitzgerald Europe

Investment Manager's Review

Strong, low volatility returns maintained

The Fund's net asset value (NAV) total return was 19.4% during the interim period to end-December 2016 and NAV gains have continued into 2017. Over the six months the Fund's NAV progression proved resilient and occurred without the volatility that may have been expected against a backdrop of unlikely geopolitical outcomes. Notably, markets are digesting the implications of Brexit and radical policy proposals put forward by the newly elected US president. In our assessment prospective changes to international tax rates, exchange rates and arguably heightened geopolitical risks have created a more fluid investment environment. However, while assessing headlines and possible knock-on effects of potential policy changes, such as the scope and timing of US tax changes, presents investment challenges it also offers significant opportunity. Importantly we believe enduring underlying investment themes, together with a quality bias to investment, leave the Fund well able to capitalise on such an environment.

Base metals led commodity market gains in the half-year to end-December 2016. Ebbing fears of European contagion and Donald Trump's later election success increased expectations for greater US infrastructure spending and raised investor risk appetite. For base metals this improved sentiment outweighed the strengthening dollar as the prospect of greater government bond issuance and backdrop of robust labour market data, lifted US interest rate expectations. Zinc, lead and copper made strong gains over the interim period; each of these commodities remains an important focus within the Fund. While Trump's victory was a catalyst for the move, particularly of copper, we believe China remains a more important driver to fundamentals. We remain encouraged by the continuation of strong regional house price trends.

Thematic investment enhances returns

We believe China's ongoing commitment to environmental reform is a theme with longevity. An environmental focus remains central to Chinese government policy, removing domestic supply for many commodities while driving greater usage of higher grade imports as authorities seek to address regional pollution. This is favouring internationally sourced supplies. Zinc is a notable beneficiary as moves to reduce contamination from lead, which is generally mined in association to zinc, has reduced domestic output while demand to galvanize steel has remained robust. Prior year mine closures have also contributed to supply reduction and a continued drawdown of warehouse inventories. Prices increased 22% over the six months to end-December and continue to trend upwards. Tightening smelter treatment charges, which have declined to multi-year lows, corroborate tight market conditions and at the time of writing prices have risen a further 10% in 2017. Zinc is a large and active exposure represented by two of the Fund's top positions, Trevali and Ascendant. Despite the commodity's strong price performance, we believe both equities have further room to re-rate.

In comparison copper, nickel and lead prices ended the period up 14%, 12% and 6% respectively, though have again continued to rise into 2017. Nickel mine closures in the Philippines announced after the election of the Duterte government, whose campaign promised to address poor mining practices in the country, drove initial metal price gains. However, subsequent relaxation of export terms from Indonesia, which had previously banned the export of unprocessed ore, latterly weighed on prices. Longer-term we believe nickel demand will benefit as higher quality stainless product gains a greater share of the steel market.

Elsewhere the Fund has recently acquired some restructured miners of iron ore and coking coal which we believe will benefit most from

ongoing Chinese actions and potential implementation of more resource friendly US policy.

Robust demand indicators and corporate spending discipline

In the short-term, Trump's election has boosted prospects for a pick-up in incremental demand from the region while indicators of global manufacturing activity, such as PMI data, signal continued improvement.

Against this backdrop there is no sign of material increases in growth capex from mining majors, whose strategies remain focused on balance sheet repair and dividend reinstatement. This is encouraging as such discipline should act to tighten markets further. As stated in previous commentary this may lead to later cycle consolidation as majors are pressured to replace depleting resource.

Insurance

Though we had expected gold to have a more positive reaction from inflationary policy, more so under a Trump's administration, sentiment shifted away from the precious metal sector as investor's risk appetite increased. While precious metal exposure was a drag to Fund performance in the later stages of 2016, its insurance value has arguably increased given the more fluid geopolitical environment. Precious metal remains an important diversifier and the Fund's less volatile performance bears testament to its relevance in the portfolio.

Energy opportunities less evident

We remain of the view that the responsiveness of US production undermines OPEC's position as swing producer. The recovery in rig count and flat forward prices, around US\$55/bbl for WTI, evidence US producer hedging in advance of their increased output later this year which we expect to bring the global market back in to surplus. This will maintain pressure on OPEC to extend its production restrictions beyond the initial six months ending which ends in June. Elsewhere Libya and Nigeria, which were excluded from the cuts, also remain a risk to OPEC's plan. Overall, we continue to find better value investment opportunities in other resource sectors. As a result oil and gas exposure remains low and remains focussed on oil producers and service providers operating in regions such as the Permian Basin.

Bonds remain the backbone of income

Representing approximately 26% of assets under management the bond element of the portfolio generates around 65% of income. The main features of the period were the continued recovery of the resource focussed bonds such as Tizir 9% 2017 up more than 10% in the period, and the addition of more Trafigura 7 5/8% perpetual and Louis Dreyfus 8 1/4% perpetual to the portfolio along with First Quantum 7 1/4% 2019 and Hdbay 9.5% at just above par. The latter was called 3 months later and 4 1/4pts higher, reflecting the improved financial position of the parent. Bond holdings continue to provide the backbone of the income in the portfolio but will not supply the same amount of capital growth as the equity element of the portfolio. Together with the improving prospects for equity dividend payments we believe the Fund is well placed to deliver solid total returns to shareholders.

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

9 March 2017

Classification of Investment Portfolio by Sector

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	As at 31 December 2016 % of total investments	As at 31 December 2015 % of total investments
Base metals	15.3	12.2
Gold	15.2	2.9
Copper	7.9	6.5
Nickel	5.3	2.1
Agriculture	4.6	7.7
Shipping	4.5	5.0
Oil & Gas	4.4	4.4
Silver	3.2	1.6
Uranium	3.1	2.9
Alternative energy	3.1	3.8
Iron	1.5	–
Coal	1.5	–
Palm Oil	0.5	0.6
Lithium	0.5	–
Other mining investments	0.4	0.6
Diamonds	0.2	1.7
Treasury Stock	3.3	16.8
Preference Shares	7.5	11.6
Fixed Interest Securities	18.0	19.6
Total Investments	100.0	100.0

Classification of Investments by Stockmarket Quotation

	As at 31 December 2016 % of total investments	As at 31 December 2015 % of total investments
Canada	33.6	25.7
UK	28.4	42.5
Australia	13.8	18.8
US	13.1	1.0
Europe	9.1	8.9
Singapore	0.4	0.5
Unquoted	1.6	2.6
Total Investments	100.0	100.0

Investment Portfolio

As at 31 December 2016

Company	Sector	Valuation £'000	Total Investments %
Trevali Mining	Base metals	8,307	6.6
First Quantum Minerals (note 1)	Copper	7,452	6.0
Ascendant Resources	Base metals	6,462	5.2
PJSC MMC Norilsk Nickel	Nickel	5,845	4.7
REA Holding (note 2)	Palm oil	5,230	4.2
Plant Impact	Agriculture	4,141	3.3
Greencoat UK Wind	Alternative energy	3,859	3.1
Central Asia Metals	Copper	3,119	2.5
Independence Group	Gold	2,953	2.4
Louis Dreyfus 8.25% 29/12/2049 **	Various	2,874	2.3
Top ten investments		50,242	40.3
Klondex Mines	Gold	2,907	2.3
Mandalay Resources	Gold	2,680	2.1
Trafigura Beheer 7.625% 29/10/2049 **	Finance	2,443	2.0
BW LPG	Oil & gas	2,461	2.0
Nevsun Resources	Base metals	2,372	1.9
Americas Silver (note 3)	Silver	2,256	1.8
Tizir 9% 28/09/2017 **	Rare earth	2,013	1.6
Atlas Iron	Iron	1,892	1.5
Arch Coal	Base metals	1,833	1.5
BHP Billiton	Base metals	1,827	1.5
Top twenty investments		72,926	58.5
West African Resources	Gold	1,618	1.3
Euronav (note 4)	Shipping	1,612	1.3
National Westminster 9.0% NC Pref Shares	Finance	1,599	1.2
Ecclesiastical Insurance 8.625% Pref Shares	Finance	1,480	1.2
Drill Rigs 6.5% 01/10/2017 **	Oil & gas	1,397	1.1
Occidental Petroleum Corp	Oil & gas	1,380	1.1
Roxgold	Gold	1,375	1.1
Guyana Goldfields	Gold	1,355	1.1
Gibson Energy	Oil & gas	1,346	1.1
Westgold Resources	Gold	1,301	1.0
Top thirty investments		87,389	70.0
Fortuna Silver Mines	Silver	1,295	1.0
Bluewater Holding 10% 10/12/2019	Oil & gas	1,276	1.0
Raven Russia 12% Pref Shares	Property	1,181	1.0
Crown Resorts FRN 14/09/2072 **	Other investments	1,177	1.0
PizzaExpress Financing 8.625% 01/08/2022 **	Other investments	1,170	0.9
Lloyds Banking Group 7.875% 27/06/2029 **	Finance	1,055	0.9
Balfour Beatty 10.75% Pref Shares	Other investments	1,007	0.8
Brit Insurance 6.625% 09/12/2030 **	Finance	1,000	0.8
Iceland Bondco 6.75% 15/07/2024 **	Other investments	974	0.8
Union Agriculture Group (Placement) *	Agriculture	915	0.7
Top forty investments		98,439	78.9
Metals X	Gold	880	0.7
Nexgen Energy	Uranium	863	0.7
Troy Resources	Gold	835	0.7
APT Pipelines FRN 30/09/2072 **	Oil & gas	804	0.7
Global Ship Lease 10% 01/04/2019	Shipping	742	0.6
Pioneer Natural Resources	Oil & gas	730	0.6
Fission Uranium	Uranium	726	0.6
Elematic Oy 10% 30/05/2018	Oil & gas	710	0.6
St George Mining (note 5)	Nickel	703	0.5
Pretium Resources	Gold	699	0.5
Top fifty investments		106,131	85.1

Company	Sector	Valuation £'000	Total Investments %
Gran Colombia Gold 6% 02/01/2020 **	Gold	684	0.5
Matalan Finance 8.875% 01/06/2020 **	Finance	682	0.5
Foran Mining	Copper	642	0.5
La Francaise De L'Energie *	Oil & gas	623	0.5
Frontline	Shipping	610	0.5
UR-Energy USD	Uranium	580	0.5
Sabina Gold & Silver	Gold	545	0.5
Oro Negro Drilling 7.5% 24/01/2019 **	Oil & gas	515	0.4
Galaxy Resources	Lithium	501	0.4
Odyssey Energy	Oil & gas	484	0.4
Top sixty investments		111,997	89.8
Maya Gold & Silver Conv Deb 8% 28/03/2017	Gold	483	0.4
Highfield Resources	Other investments	441	0.4
General Exploration 11.5% 13/11/2018	Gold	417	0.4
Concho Resources	Oil & gas	430	0.3
Sandfire Resources	Copper	427	0.3
Santacruz Silver Mining	Silver	406	0.3
Denison Mines	Uranium	405	0.3
Berkeley Energia	Uranium	403	0.3
Foresight Solar	Agriculture	322	0.3
S2 Resources	Gold	307	0.2
Top seventy investments		116,038	93.0
Atico Mining	Copper	252	0.2
Doray Minerals	Gold	248	0.2
Amani Gold	Gold	246	0.2
Black Diamond Group	Diamond	238	0.2
Sherritt International 8% 15/11/2018 **	Nickel	217	0.2
Golden Prospect Precious Metal +	Gold	219	0.2
New City Energy +	Oil & gas	206	0.2
TransCanada	Oil & gas	182	0.2
United Cacao	Agriculture	181	0.1
Cardinal Resources	Gold	176	0.1
Top eighty investments		118,203	94.8
UK Treasury Stocks		4,173	3.3
Other investments		2,385	1.9
Total investments		124,761	100.0

Note 1 - Includes First Quantum valued at £5,671,521 and First Quantum Minerals 7.25% 15/10/2019 ** valued at £1,780,186.

Note 2 - Includes REA Holdings 9% preference shares valued at £4,049,695 and REA Finance 8.75% 31/08/2020 ** valued at £490,000.

Note 3 - Includes Americas Silver valued at £2,035,733 and Americas Silver warrants valued at £220,097.

Note 4 - Includes Euronav USD valued at £966,370 and Euronav EURO valued at £646,055.

Note 5 - Includes St George Mining valued at £654,480 and St George Mining options valued at £48,651.

* Denotes an unquoted security

** Denotes a Level 2 security

+ Denotes a related party investment

8 Top Ten Largest Holdings

	Valuation 30 June 2016 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 31 December 2016 £'000
Trevali Mining Primarily a zinc producer, but also produce lead and silver as a by-product.	4,064	-	(19)	4,262	8,307
First Quantum Minerals Primarily a copper producer with mines in Africa and a large development project in Panama.	5,679	700	(586)	1,659	7,452
Ascendant Resources A zinc producer that recently acquired the mine called El Mochito from Nyrstar for only \$0.5M.	-	2,676	-	3,786	6,462
PJSC MMC Norilsk Nickel The company is a diversified producer of nickel, copper and palladium from mines located in Russia.	2,643	2,160	-	1,042	5,845
REA Holding The company cultivates oil palms and produces crude oil palm and other palm products.	4,438	-	-	792	5,230
Plant Impact Manufacturer of non-toxic pesticides, fertilisers and other plant health products.	4,406	-	-	(265)	4,141
Greencoat UK Wind Invests in wind farms and other renewable energy infrastructure.	3,494	-	-	365	3,859
Central Asia Metals The company explores and mines for copper, gold and molybdenum in central Asia.	1,999	-	-	1,120	3,119
Independence Group An Australian gold and nickel mining and exploration company.	3,016	-	(1,113)	1,050	2,953
Louis Dreyfus 8.25% 29/12/2019 A commodity trader with a focus on metals and agricultural products.	1,129	1,577	-	168	2,874
	30,868	7,113	(1,718)	13,979	50,242

At 31 December 2016, these investments totalled £50,242,000 or 40.3% of the investment portfolio.

Condensed Income Statement 9

	Notes	Six months ended 31 December 2016 (unaudited)			Six months ended 31 December 2015 (unaudited)			Year ended 30 June 2016 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	-	16,624	16,624	-	(15,093)	(15,093)	-	6,814	6,814
Exchange gains on currency balances		-	248	248	-	107	107	-	31	31
Foreign exchange forward contract loss		-	(10)	(10)	-	-	-	-	-	-
Income	4	2,124	-	2,124	2,646	-	2,646	4,837	-	4,837
Investment management fee		(144)	(431)	(575)	(101)	(304)	(405)	(214)	(642)	(856)
Other expenses		(252)	-	(252)	(254)	-	(254)	(455)	-	(455)
Net return before finance costs and taxation		1,728	16,431	18,159	2,291	(15,290)	(12,999)	4,168	6,203	10,371
Interest payable and similar charges		(151)	(866)	(1,017)	(178)	(938)	(1,116)	(318)	(1,769)	(2,087)
Net return on ordinary activities before taxation		1,577	15,565	17,142	2,113	(16,228)	(14,115)	3,850	4,434	8,284
Tax on ordinary activities		(175)	90	(85)	(240)	51	(189)	(451)	195	(256)
Net return attributable to equity shareholders	5	1,402	15,655	17,057	1,873	(16,177)	(14,304)	3,399	4,629	8,028
Return per ordinary share	5	2.10p	23.41p	25.51p	2.80p	(24.19)p	(21.39)p	5.08p	6.92p	12.00p

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.

Condensed Balance Sheet

	Notes	As at 31 December 2016 (unaudited) £'000	As at 31 December 2015 (unaudited) £'000	As at 30 June 2016 (audited) £'000
Fixed assets				
Investments		124,761	90,980	113,525
Current assets				
Debtors		865	927	576
Cash at bank and on deposit		8,521	9,342	4,738
		9,386	10,269	5,314
Creditors: amounts falling due within one year				
Foreign exchange forward contracts		(813)	–	–
Other payables		(607)	(1,247)	(627)
		(1,420)	(1,247)	(627)
Net current assets		7,966	9,022	4,687
3.5% Convertible Unsecured Loan Stock 2018	7	(33,417)	(35,798)	(33,025)
Net assets		99,310	64,204	85,187
Capital and reserves				
Called-up share capital		16,720	16,719	16,719
Special distributable reserve		30,386	30,386	30,386
Share premium		4,829	4,806	4,810
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	7	850	1,778	1,213
Capital reserve		41,393	4,566	25,734
Revenue reserve		5,132	5,949	6,325
Equity shareholders' funds	6	99,310	64,204	85,187
Net asset value per share	6	148.5p	96.01p	127.38p

Condensed Statement of Changes in Equity

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For the 6 months to 31 December 2016 (unaudited)

	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 2016	16,719	4,810	30,386	1,213	25,734	6,325	85,187
CULS conversion and buyback	1	19	-	(363)	362	-	19
Return on ordinary activities after taxation	-	-	-	-	15,655	1,402	17,057
Cumulative effective yield	-	-	-	-	(358)	-	(358)
Dividends paid	-	-	-	-	-	(2,595)	(2,595)
Balance at 31 December 2016	16,720	4,829	30,386	850	41,393	5,132	99,310

For the 6 months to 31 December 2015 (unaudited)

	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 2015	16,719	4,806	30,386	2,248	20,568	6,671	81,398
CULS conversion and buyback	-	-	-	(470)	362	-	(108)
Return on ordinary activities after taxation	-	-	-	-	(16,177)	1,873	(14,304)
Effective yield	-	-	-	-	(187)	-	(187)
Dividends paid	-	-	-	-	-	(2,595)	(2,595)
Balance at 31 December 2015	16,719	4,806	30,386	1,778	4,566	5,949	64,204

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.

12 Condensed Cash Flow Statement

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 £'000
Operating activities			
Investment income received	1,606	2,563	4,536
Increase in forward exchange creditor	813	–	–
Deposit interest received	1	1	2
Other income received	6	–	65
Investment management fees paid	(561)	(421)	(853)
Other cash payments	(268)	(273)	(473)
Net cash inflow from operating activities	1,597	1,870	3,277
Investing activities			
Purchases of investments	(33,851)	(59,031)	(113,165)
Disposals of investments	38,998	60,348	113,696
Net cash inflow from investing activities	5,147	1,317	531
Financing activities			
Buyback of CULS	–	(1,990)	(5,372)
Equity dividends paid	(2,595)	(2,595)	(3,745)
Interest on bank facility/overdraft	1	(2)	(2)
Interest on 3.5% Convertible Unsecured Loan Stock 2018	(605)	(698)	(1,315)
Net cash outflow from financing activities	(3,199)	(5,285)	(10,434)
Increase/(decrease) in net cash	3,545	(2,098)	(6,626)
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash in the year	3,545	(2,098)	(6,626)
Exchange movements including forward contracts	238	107	31
Movement in net cash in the year	3,783	(1,991)	(6,595)
Opening net cash at 1 July	4,738	11,333	11,333
Closing net cash at 31 December	8,521	9,342	4,738

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

Notes to the Accounts

1. The unaudited interim results which cover the six months to 31 December 2016 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 2016.

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 0.86p per share was paid on 25 November 2016 and a second interim dividend of 0.86p per share was paid on 28 February 2017.
3. Included within gains on investments for the period ended 31 December 2016 are realised losses of £651,000 and unrealised gains of £17,275,000.
4. The breakdown of income for the six months to 31 December 2016, 31 December 2015 and the year to 30 June 2016 was as follows:

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000	Year ended 30 June 2016 £'000
Income from investments:			
UK dividend income	216	228	525
UK unfranked interest income	365	366	847
Preference share income	247	347	493
Overseas dividend income	506	783	1,461
Overseas interest income	784	921	1,443
	2,118	2,645	4,769
Other income:			
Other income	5	-	65
Deposit interest	1	1	3
Total income	2,124	2,646	4,837

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 2016 £'000	Six months ended 31 December 2015 £'000	Year ended 30 June 2016 £'000
Revenue return	1,402	1,873	3,399
Capital return	15,655	(16,177)	4,629
Total return	17,057	(14,304)	8,028
	Number	Number	Number
Weighted average ordinary shares in issue	66,879,016	66,875,787	66,875,991

6. Net asset value per ordinary share

	31 December 2016 £'000	31 December 2015 £'000	30 June 2016 £'000
Net asset value per share	148.5p	96.01p	127.38p
Net assets attributable at end of period	£99.3m	£64.2m	£85.2m
Ordinary shares of 25p each in issue at end of period	66,882,042	65,875,819	66,876,768

7. 3.5% Convertible Unsecured Loan Stock 2018

	Nominal number of CULS £'000	Liability component £'000	Equity component £'000
Balance at 30 June 2016	34,554	33,025	1,213
Amortisation of discount on issue and issue expenses	–	49	–
Transfer of CULS liability discount amortisation	–	362	(362)
Conversion during the period	(20)	(19)	(1)
Balance at 31 December 2016	34,534	33,417	850

On 14 October 2016, the Company issued 5,274 ordinary shares in connection with the exercise of £19,896 nominal of the Company's CULS.

Once 80% of the CULS issued have been converted the Company is allowed to request that holders redeem or convert the remainder. Interest is paid on the CULS on 31 March and 30 September each year. 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.

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

	Six months ended 31 December 2016 £'000s	Six months ended 31 December 2015 £'000s	Year ended 30 June 2016 £'000s
Net return/(loss) before finance costs and taxation	18,159	(12,999)	10,371
Adjust for returns from non-operating activities:			
– (Gains)/losses on investments	(16,624)	15,093	(6,814)
– Exchange gains	(238)	(107)	(31)
– Effective yield	(56)	(95)	(171)
Return from operating activities	1,241	1,892	3,355
Adjust for non-cash flow:			
– (Increase)/decrease in debtors	(364)	109	179
– Increase/(decrease) in creditors	805	(19)	(1)
– Withholding tax	(85)	(112)	(256)
Net cash inflow from operating activities	1,597	1,870	3,277

9. The Company's Investment Manager is CQS Cayman Limited Partnership ("CQS") which in turn has delegated this function to its wholly owned subsidiary New City Investment Managers ("NCIM"). CQS receive a monthly fee at the rate of 0.1 per cent of the Company's gross assets (excluding cross-holdings) less current liabilities and any borrowings, payable in arrears. During the period investment management fees of £575,000 were incurred, of which £100,000 was payable at the period end.

As at 31 December 2016, the Company held shares in New City Energy and Golden Prospect Precious Metals; these two investment companies are also managed by the Investment Manager. The valuations of these holdings are deducted from gross assets when calculating the management fee.

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10. After making enquiries and having considered the Company's investment objective, nature of the investment portfolio, bank facility and expenditure projections, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future. For this reason and in light of the Company's strong long term investment record, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing this report.
 11. The results for the six months ended 31 December 2016 and 31 December 2015, 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 2016; 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 2016 are an extract from those accounts.
 12. The report and accounts for the six months ended 31 December 2016 will be posted to shareholders and made available on the website www.ncim.co.uk. Copies may also be obtained from the Company Secretary, R&H Fund Services Limited, 20 Forth Street, Edinburgh, EH1 3LH.

R&H Fund Services Limited

Secretaries

9 March 2017

Directors' 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, sector, financial, earnings and dividend, operational and regulatory. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal risks and risk mitigation' within the Strategic Review contained within the Company's annual report and accounts for the year ended 30 June 2016. The Company's principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the rest of the Company's financial year.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with the Statement 'Half-Yearly Financial Reports' issued by the UK Accounting Standards Board and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Chairman's Statement and the Investment Manager's Review 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 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

Geoff Burns
Chairman

9 March 2017

Corporate Information

Registered Number

02978531

Registered in England & Wales

Registered Office

R&H Fund Services Limited

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London EC4A 3AQ

Directors

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Adrian J R Collins

Alun G Evans

Helen F Green*

Richard Ö Prickett

Investment Manager

New City Investment Managers

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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@ccqsm.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.

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



