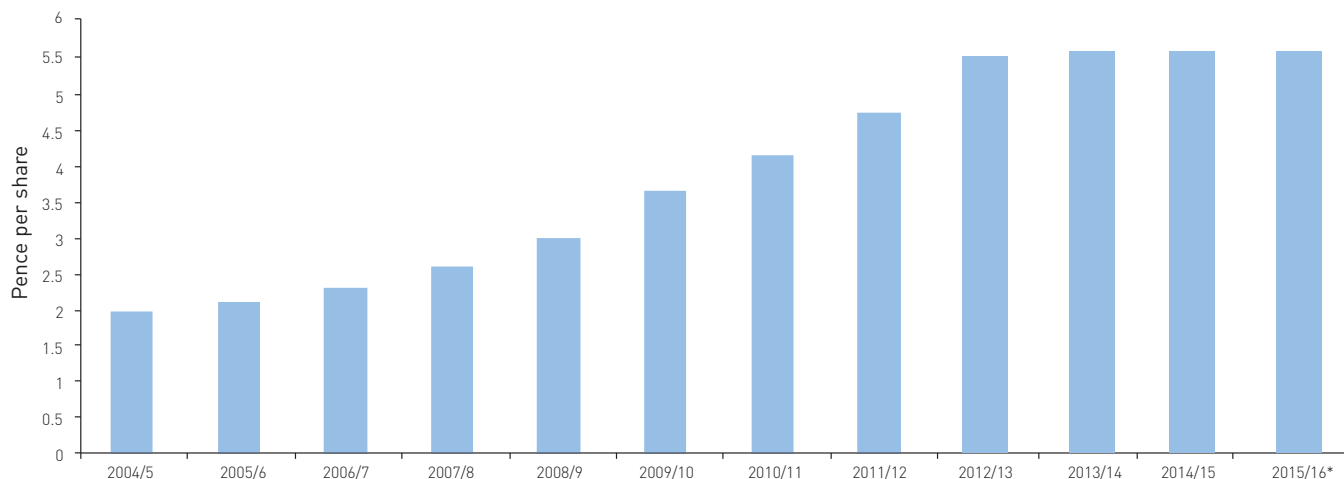


citynatural
resources
high yield trust plc



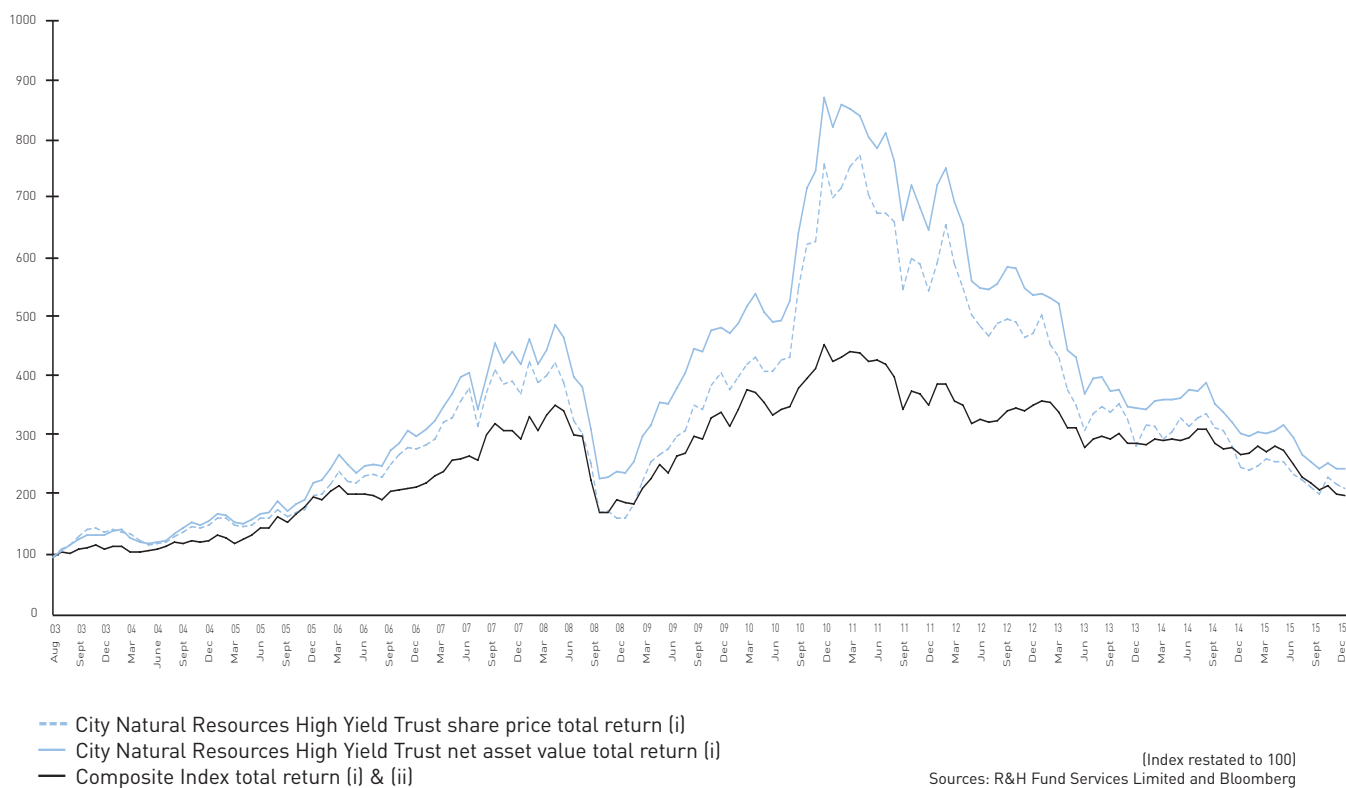
Interim Report
for the six months ended
31 December 2015

Dividends Declared in Respect of Each Financial Year



* 2015/16 assumes that the third interim dividend in respect of the financial year ended 30 June 2016 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 2015 of 3.02 pence per share.

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



- (i) Net dividends reinvested.
- (ii) Composite index of two-thirds Euromoney Global Mining Index (sterling adjusted) and one-third Credit Suisse High Yield Index (sterling adjusted).

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

Our Objective

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

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Financial Highlights

Total Return	Period from 1 August 2003 to 31 December 2015			
	Six months ended 31 December 2015	Six months ended 31 December 2014	Year to 30 June 2015	31 December 2015
Net asset value	-17.9%	-19.3%	-20.9%	147.5%
Ordinary share price	-9.7%	-21.2%	-24.6%	115.6%
Composite index	-20.7%	-9.7%	-14.5%	103.9%
EuroMoney Global Mining Index (sterling adjusted)	-30.5%	-15.5%	-23.3%	75.1%
Credit Suisse High Yield Index [sterling adjusted]	-2.3%	-5.7%	+8.9%	161.5%

Capital Values	31 December 2015	30 June 2015	% change period
Net asset value per share	96.0p	121.7p	-21.1%
Ordinary share price (mid market)	82.0p	94.9p	-13.6%
3.5% Convertible Unsecured Loan Stock ("CULS") (mid market)	97.5p	96.5p	1.0%
Discount (difference between share price and fully diluted net asset value)	14.6%	22.1%	

Revenue and Dividends	Six months ended 31 December 2015	Six months ended 31 December 2014	% change period
Earnings per ordinary share	2.79p	3.09p	(9.7)%
Dividends per ordinary share	1.72p	1.72p	-
Dividend Yield*	6.8%	5.5%	

Ratios	31 December 2015	30 June 2015
Gearing		
Gearing provided by CULS	17.4%	19.0%
Ongoing charges (as a percentage of average shareholders' funds)	1.9%	1.7%

Period's Highs/Lows	Six months ended 31 December 2015	Six months ended 31 December 2015
	High	Low
Net asset value	122.9p	91.8p
Ordinary share price (mid market)	99.3p	76.0p
Discount	-26.2%	-8.1%

Dividend History	Rate	xd date	Record date	Payment date
Second interim 2016	0.86p	29 January 2016	30 January 2016	27 February 2016
First interim 2016	0.86p	30 October 2015	31 October 2015	28 November 2015
Total	1.72p			
Fourth interim 2015	3.02p	30 July 2015	31 July 2015	28 August 2015
Third interim 2015	0.86p	30 April 2015	1 May 2015	29 May 2015
Second interim 2015	0.86p	29 January 2015	30 January 2015	27 February 2015
First interim 2015	0.86p	30 October 2014	31 October 2014	28 November 2014
Total	5.60p			

*based on an annualised dividend of 3.02p (31 December 2014: 3.02p)

Chairman's Statement

Introduction

It is five years since I last wrote to you with unqualified good news and I am very much afraid that the six months under review continues what has been a dismal run, with no let-up in the commodity sector bloodbath.

Investment and Share Price Performance

At 31 December 2015 your Company's net asset value stood at 96.0 pence per share, giving a net asset value total return for the six months of -17.9 per cent. The benchmark index returned -20.7 per cent.

A rare positive development was that the Company's ordinary share price total return of -9.7 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 22.1 per cent to 14.6 per cent during the period. The average discount over the year to 31 December 2015 was 16.7 per cent, and over three years 15.1 per cent.

The share price is 86.0 pence and the discount stands at 14.5 per cent after a strong NAV run at the time of writing.

Your Company continued to perform well compared to its peers over the period, coming top out the eight funds in its peer group in terms of share price total return;* small comfort, but some mitigation as I noted in September. It continues to provide a unique exposure to the less accessible areas of smaller mining and resource stocks. Ian Francis, Keith Watson and Rob Crayfourd, our portfolio managers, report on investment performance in more detail below.

Over the long term, since the redirection of the Company in 2003 net asset value total return is 147.5 per cent, ordinary share price total return is 115.6 per cent, and benchmark total return is 103.9 per cent.

Income and Dividends

Income and dividends have been a focus of the Company since 2004, with dividends increasing by 280 per cent since then, and we believe they contribute an important element of stability in our volatile asset class.

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, declined from 3.09 pence to 2.79 pence over the six months to 31 December 2015, in part reflecting a less defensive portfolio bias and increased investment into low cost miners as the Manager reports below. Last year's dividend was covered, and the Board expects a solid income performance during the year to 30 June 2016. Should the current dividend level not be covered by earnings, however, I would note 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. These reserves have been built up for the very purpose of smoothing lumpiness in the underlying income generation.

The yield on the Company's shares is 6.5 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 17.4 per cent at 31 December 2015.

The Company had £39.9 million nominal of CULS in issue at 30 June 2015. It bought back £2.0 million nominal for cancellation during the period at a small discount to par value, benefitting shareholders at the margin. £37.9 million nominal of CULS remained in issue at 31 December 2015. Since the period-end, the Company has bought back a further £2.6 million nominal for cancellation.

The Company's 3.5% Cumulative Unsecured Loan Stock 2018 ("CULS") price rose marginally from 96.5 pence to 97.5 pence during the six months.

Outlook

The volatility and uncertainty that have overshadowed the commodities sector for at least the last four years extended to other sectors, and global markets, at the start of 2016. This seems to point to the fear of a major liquidity turning point being in the offing, as the developed countries slowly recover, loose monetary policies are reined in gradually, and the banking sector remains cautious on credit supply. Reduced global demand, partly driven by China, along with developing country currency woes as capital flies back to the West, and oil producers belt tightening, compounds this 'dash for cash'. 2015 saw sovereign wealth funds repatriate US\$ 46.5 billion from asset managers, a number which is expected to grow in 2016. Markets do not seem convinced that central banks are really in control, as the first faltering step to tightening in the US at the end of 2015 stalls in the face of global uncertainty.

As a world addicted to cheap credit suffers withdrawal symptoms, with occasional further shots to deaden the effect, the outlook for demand sensitive equities continues to be challenging. The result is an extraordinary volatility which further undermines confidence; however, there is a cleansing effect from the 'cure' that is taking place, with a re-setting of risk appreciation, and renewed perception of what constitutes value after a period of unsustainably high and optimistic pricing. The natural resources sector has already been through much of this, and while it would be a brave person who would call the bottom of the market in our sector, there is absolutely no doubt that realism has returned, with investment decisions based on cash flow and evidence, not hype and blue sky.

What is needed now is stability; in the interest and liquidity outlook; in global equity confidence; and, in the oil sector. The strange correlation between the oil price and equities (strange given the very different effects low oil prices have on different economies) will also need to break. A sustained low oil price should start to stimulate global demand, and at that point the non oil resources sector should be released, along with other demand sensitive equities. Given the attrition in this sector it is our expectation that we would be an early beneficiary of this. In the meantime we are cautiously moderating our previous defensive positioning, but continue to see income as the support, while we await events that are beyond our control.

Geoff Burns
Chairman

1 March 2016

*Source: Cantor Fitzgerald Europe

Investment Manager's Review

The last six months has been one of the most difficult periods on record for resources investors. Commodity price declines, such as crude oil's near 40% collapse, have been accompanied by rising stock price volatility with intra-day price moves of $\pm 15\%$ not uncommon for large cap equities. Against this difficult backdrop Fund performance stood up relatively well versus peers, notably benefitting from its high bond and gold equity weightings and also from a more defensive stance, taken in October, to reduce energy exposure and limit the impact from the recent sell off. Significant declines in the Australian dollar, Ruble and Canadian dollar have been favourable to profitable production from those regions and exposure to these producer currencies has been one of the largest differentiators of relative performance among stocks, notably boosting performance of the Australian gold miners which have constituted a large proportion of the precious metal weighting in the Company. It remains an important investment theme.

The challenging conditions over the last six months appear symptomatic of a sector in transition as it becomes clear that China is no longer growing at 7% per annum ad infinitum. They are, however, forcing significant capex reductions on resource companies as they adjust supply to this reality. We actually view this as a positive opportunity for the Fund.

Crucially, the self-reinforcing impact of deflationary currency devaluation by commodity or export dependent economies and energy price declines, which have lowered production costs and postponed this adjustment, does at last appear to be lessening. The recent leg down in commodity prices and incremental rise in US\$ denominated borrowing costs is having an increasingly obvious affect in curbing output from high cost, debt burdened miners and oil producers.

Competitive currency devaluation is now a central tool to stimulate demand, particularly among export-led economies in Asia and also Europe. Most relevant to resource markets has been the recent relaxation of China's US\$ peg, as policy makers seek to encourage exports and relieve pressure from decelerating internal demand on its manufacturing industry. However, the disruptive influence of this move and ensuing downdraft on commodity prices, exacerbated by the increase in US interest rates shortly after, may prove temporary. Of particular note China's exchange rate move is also being accompanied by a more vocal open-market orientated approach which will allow a healthy correction in primary industry overcapacity as uneconomic operations close. Notably this is affecting the steel industry. While the recent sharp correction in commodity prices and rise in US\$ borrowing costs are hastening supply cuts, the latter move reduces the spectre of deflationary overcapacity. Of equal importance, despite downward revisions to global GDP estimates, demand growth nevertheless remains positive.

Calling the bottom of the market is never an easy task, but we are certainly seeing deep value opportunities across the sector with price volatility potentially symptomatic of this stage of a cycle extended by loose monetary policy. It is our belief that market sentiment is too negative on the outlook for China and for this reason the Fund has latterly become less defensive and increased equity holdings in low cost miners. This low cost, quality bias

remains an important investment theme as the painful process of supply adjustment takes place. Of note, the successful displacement of inefficient, low grade Chinese iron ore production is transferring market dominance and pricing power back in favour of the low cost Australian and Brazilian oligopoly which have been included in recent purchases. Difficult corporate decisions faced by Rio Tinto and BHP Billiton to address balance sheet leverage, such as dividend cuts, appear substantially discounted. Lower prices and higher borrowing costs, which at last appear to have eroded the resilience of many producers, are now feeding through and meaningfully reducing the supply of metals such as nickel which have similarly featured in portfolio purchases.

The Energy sector has had a difficult six months after oil's 40% price slump, due to excessive supply as OPEC removed its production quota restriction, led by Saudi Arabia's unwillingness to absorb rising global output from Iraq, Russia and also from North America and compounded by the untimely shift in US policy allowing crude exports for the first time in 40 years. Souring Middle Eastern relationships, which have traditionally boosted oil's risk premium, have more recently been outweighed by increased regional production as warring Sunni and Shia factions pump more to further fund campaigns in Syria, Iraq and Yemen. Though the US rig count, a key indicator of E&P spend, has rolled off sharply and will lead to a decline in US production into the second half of 2016, its significance may be overstated given OPEC's dominant global position which could extend the period of low oil prices beyond 2016. While we still like the energy sectors long term fundamentals, valuations are still based on forward oil prices ahead of our expectations. For this reason we will be looking for further weakness in the sector before rebuilding oil exposure within the Company.

Representing approximately 37% of the NAV at the end of December 2015, bond holdings remain the most substantial contributors to income and are currently projected to generate around 60% of Company earnings for the current financial year to June. While opportunities to invest higher up company capital structures have presented themselves recently, we believe the weakness and significant valuation compression of resource equities offered better relative value with their substantial capital growth potential outweighing the attractions of respective high yield bond issues. Indeed, should recent volatile market conditions be sustained as we believe, the Fund's bias towards equities which can re-rate significantly will correspondingly increase. This could also entail a reduction in gold equity exposure. Crucial to such a shift in the portfolio, will be delivery of structural reforms that lead to industrial overcapacity reductions, notably from China, though recent news in this regard has been encouraging.

Ian Francis
Keith Watson
Rob Crayford
 New City Investment Managers

1 March 2016

Classification of Investment Portfolio by Sector

5

As at 31 December 2015	As at 31 December 2015 % of total investments	As at 31 December 2014 % of total investments
Gold	12.2	10.1
Agriculture	7.7	4.7
Copper	6.5	4.7
Shipping	5.0	–
Oil & Gas	4.4	19.7
Alternative Energy	3.8	2.1
Base Metals	2.9	–
Uranium	2.9	2.8
Nickel	2.1	3.0
Diamonds	1.7	2.1
Silver	1.6	2.8
Other Mining Investments	0.6	0.4
Palm Oil	0.6	5.5
Platinum	–	0.2
Potash	–	0.1
UK Government Treasury Stock	16.8	5.7
Preference Shares	11.6	10.8
Fixed Interest Securities	19.6	24.4
Total Investments	100.0	100.0

Classification of Investments by Stockmarket Quotation

	As at 31 December 2015 % of total investments	As at 31 December 2014 % of total investments
UK	42.5	38.0
Canada	25.7	28.8
Australia	18.8	18.5
Europe	8.9	8.3
US	1.0	1.5
Singapore	0.5	0.6
Unquoted	2.6	4.3
Total Investments	100.0	100.0

Investment Portfolio

As at 31 December 2015

Company	Sector	Valuation £'000	Total Investments %
Plant Impact	Agriculture	4,758	5.2
Rea Holding (note 1)	Palm oil	4,432	4.9
Greencoat UK Wind	Alternative energy	3,478	3.8
BW LPG	Oil & gas	2,714	3.0
BHP Billiton	Base metals	2,657	2.9
Saracen Mineral Holdings	Gold	2,245	2.5
Central Asia Metals	Copper	2,106	2.3
Independence Group	Gold	2,070	2.3
Sandfire Resources NL	Copper	1,939	2.1
Antares Energy 10% 30/10/2023	Oil & gas	1,938	2.1
Top ten investments		28,337	31.1
PJSC MMC Norilsk Nickel	Nickel	1,703	1.9
National Westminster 9.0% NC Pref Shares Series A	Finance	1,641	1.8
Regis Resources	Gold	1,549	1.7
Tizir 9% 28/09/2017	Rare earth	1,541	1.7
Raven Russia 12% Pref Shares	Property	1,510	1.7
Santander Finance 10.375% Pref Shares	Finance	1,510	1.6
Ecclesiastical Insurance 8.625% Pref Shares	Finance	1,452	1.6
Euronav	Shipping	1,393	1.5
Ocean Rig 7.25% 01/04/2019	Oil & gas	1,276	1.4
PizzaExpress Financing 8.625% 01/08/2022	Other investments	1,254	1.4
Top twenty investments		43,166	47.4
First Quantum Minerals	Copper	1,141	1.2
Occidental Petroleum	Oil & gas	1,097	1.2
Lloyds Banking Group 7.875% 27/06/2029	Finance	1,057	1.2
Brit Insurance 6.625% 09/12/2030	Finance	1,031	1.1
Union Agriculture Group (Placement) *	Agriculture	1,021	1.1
Fortuna Silver Mines	Silver	972	1.1
Mandalay Resources	Gold	963	1.1
Louis Dreyfus 8.25% 29/12/2049	Various	957	1.1
Balfour Beatty 10.75% Pref Shares	Other investments	956	1.0
Crown Resorts FRN 14/09/2072	Other investments	893	1.0
Top thirty investments		53,254	58.5
Bluewater Holding 10% 10/12/2019	Oil & gas	874	1.0
Stretford Seventy Nine 6.75% 15/07/2024	Finance	873	1.0
Trafigura Beheer 7.625% 29/10/2049 PERP CALL	Finance	865	1.0
Elematic Oy 10% 30/05/2018	Oil & gas	861	0.9
Mountain Province Diamonds	Diamonds	851	0.9
APT Pipelines FRN 30/09/2072	Oil & gas	827	0.9
La Francaise De L'Energie *	Oil & gas	765	0.9
Guyana Goldfields	Gold	755	0.8
Berkeley Energy	Uranium	751	0.8
Klondex Mines	Gold	729	0.8
Top forty investments		61,405	67.5
Matalan Finance 8.875% 01/06/2020	Finance	710	0.8
Kennady Diamonds	Diamonds	684	0.7
Iona Energy 12.5% 27/09/2018	Oil & gas	661	0.7
United Cacao	Agriculture	544	0.6
Nexgen Energy	Uranium	507	0.6
First Majestic Silver	Silver	475	0.5
Breaker Resources	Gold	467	0.5
Lundin Mining	Copper	465	0.5
Avance Gas Holdings	Shipping	447	0.5
Pioneer Natural Resources	Oil & gas	425	0.5
Top fifty investments		66,790	73.4

Company	Sector	Valuation £'000	Total Investments %
Oro Negro Impetus 11% 04/12/2049	Oil & gas	408	0.5
Maya Gold & Silver Conv Deb 8% 28/03/2017 *	Gold	392	0.4
Anadarko Petroleum	Oil & gas	364	0.4
Fission Uranium	Uranium	346	0.4
Evolution Mining	Gold	343	0.4
Denison Mines	Uranium	316	0.4
Foresight Solar	Agriculture	310	0.3
General Exploration 11.5% 13/11/2018	Gold	305	0.3
Golden Prospect Precious Metal +	Gold	302	0.3
WhiteCap Resources	Oil & gas	300	0.3
Top sixty investments		70,176	77.1
Rio Tinto	Base metals	297	0.3
Odyssey Energy	Oil & gas	282	0.3
Agnico-Eagle Mines	Gold	268	0.3
Kingsrose Mining	Gold	256	0.3
Concho Resources	Oil & gas	252	0.3
Glencore	Base metals	226	0.3
Huon Aquaculture Group	Agriculture	206	0.2
Newcastle Gold	Gold	198	0.2
KBL Mining 12% 16/02/2017 CLN	Gold	198	0.2
St George Mining	Nickel	190	0.2
Top seventy investments		72,549	79.7
Clean Seed Capital Group	Agriculture	187	0.2
New City Energy +	Oil & gas	165	0.2
Bannerman Resources	Uranium	161	0.2
AJ Lucas Group	Oil & gas	159	0.2
Kivalliq Energy	Uranium	146	0.2
Sherritt International 8% 15/11/2018	Nickel	135	0.2
Polarcus 8% 07/06/2018	Oil & gas	128	0.1
Renaissance Minerals	Gold	124	0.1
Foran Mining	Copper	118	0.1
Revelo Resources	Gold	118	0.1
Top eighty investments		73,990	81.3
UK Treasury Stocks		15,300	16.8
Other investments		1,690	1.9
Total investments		90,980	100.0
Note 1 - Includes REA Holdings valued at £1,530,000, REA Holdings 9% preference shares valued at £5,122,975 and REA Finance 9.5% 31/12/2017 valued at £522,500.			
* Denotes an unquoted security			
+ Denotes a related party investment			

8 Top Ten Largest Holdings

	Valuation 30 June 2015 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 31 December 2015 £'000
Plant Impact Manufacturer of non-toxic pesticides, fertilisers and other plant health products.	4,582	-	-	176	4,758
Rea Holding The Company cultivates oil palms and produces crude oil palm and other palm products.	6,962	-	(965)	(1,565)	4,432
Greencoat UK Wind Invests in wind farms and other renewable energy infrastructure.	3,591	-	-	(113)	3,478
BW LPG The Company operates a fleet of liquid petroleum gas carriers.	1,903	903	(305)	213	2,714
BHP Billiton An international resource company principally in mining coal, iron ore and gold.	-	3,566	-	(909)	2,657
Saracen Mineral Holdings Australian gold explorer and producer.	1,688	-	(73)	630	2,245
Central Asia Metals The Company explores and mines for copper, gold and molybdenum in central Asia.	2,421	-	-	(315)	2,106
Independence Group An Australian gold and nickel mining and exploration company.	205	3,868	(230)	(1,773)	2,070
Sandfire Resources NL An Australian copper and gold producer.	3,386	-	(1,647)	200	1,939
Antares Energy 10% 30/10/2023 The Company explores for and produces oil in Texas and Oklahoma.	1,861	-	-	77	1,938
	26,599	8,337	(3,220)	(3,379)	28,337

At 31 December 2015, these investments totalled £28,337,000 or 31.1% of the investment portfolio.

Condensed Income Statement 9

	Notes	Six months ended 31 December 2015 (unaudited)			Six months ended 31 December 2014 (unaudited)			Year ended 30 June 2015 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	-	(15,093)	(15,093)	-	(21,024)	(21,024)	-	(23,454)	(23,454)
Exchange gains/(losses)		-	107	107	-	(22)	(22)	-	(117)	(117)
Income	4	2,646	-	2,646	3,003	-	3,003	5,839	-	5,839
Investment management fee		(101)	(304)	(405)	(148)	(445)	(593)	(274)	(821)	(1,095)
Other expenses		(254)	-	(254)	(250)	-	(250)	(483)	-	(483)
Net return before finance costs and taxation		2,291	(15,290)	(12,999)	2,605	(21,491)	(18,886)	5,082	(24,392)	(19,310)
Interest payable and similar charges		(178)	(938)	(1,116)	(194)	(937)	(1,131)	(375)	(1,869)	(2,244)
Net return on ordinary activities before taxation		2,113	(16,228)	(14,115)	2,411	(22,428)	(20,017)	4,707	(26,261)	(21,554)
Tax on ordinary activities		(240)	51	(189)	(343)	217	(126)	(592)	350	(242)
Net return attributable to equity shareholders	5	1,873	(16,177)	(14,304)	2,068	(22,211)	(20,143)	4,115	(25,911)	(21,796)
Return per ordinary share	5	2.80p	(24.19)p	(21.39)p	3.09p	(33.21)p	(30.12)p	6.15p	(38.75)p	(32.60)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.

Condensed Balance Sheet

	Notes	As at 31 December 2015 (unaudited) £'000	As at 31 December 2014 (unaudited) £'000	As at 30 June 2015 (audited) £'000
Fixed assets				
Investments		90,980	108,691	107,229
Current assets				
Debtors		927	820	1,332
Cash at bank and on deposit		9,342	12,202	11,333
		10,269	13,022	12,665
Creditors: amounts falling due within one year		(1,247)	(652)	(1,226)
Net current assets		9,022	12,370	11,439
3.5% Convertible Unsecured Loan Stock 2018	7	(35,798)	(36,864)	(37,270)
Net assets		64,204	84,197	81,398
Capital and reserves				
Called-up share capital		16,719	16,719	16,719
Special distributable reserve	8	30,386	30,386	30,386
Share premium	8	4,806	4,802	4,806
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	7/8	1,778	2,610	2,248
Capital reserve	8	4,566	23,908	20,568
Revenue reserve	8	5,949	5,772	6,671
Equity shareholders' funds	6	64,204	84,197	81,398
Net asset value per share	6	96.01p	125.90p	121.72p

Reconciliation of Movement in Shareholders' Funds

	Six months ended 31 December 2015 (unaudited) £'000	Six months ended 31 December 2014 (unaudited) £'000
Opening equity shareholders' funds	81,398	106,929
Losses on investments	(15,093)	(21,024)
Net revenue return attributable to ordinary shareholders	1,873	2,068
Costs charged to capital	(1,191)	(1,165)
Exchange gains/(losses)	107	(22)
Dividends paid	(2,595)	(2,595)
Buyback of CULS	(108)	6
Prior year effective yield	(187)	-
Closing equity shareholders' funds	64,204	84,197

Condensed Cash Flow Statement

	Six months ended 31 December 2015 (unaudited) £'000	Six months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
Net cash inflow from operating activities	1,870	2,144	4,182
Net cash outflow from servicing of finance	(700)	(717)	(1,424)
Net cash inflow/(outflow) from financial investment	1,317	(1,147)	(2,102)
Equity dividends paid	(2,595)	(2,595)	(3,745)
Net cash outflow before financing	(108)	(2,315)	(3,089)
Buyback of CULS	(1,990)	-	-
Decrease in cash	(2,098)	(2,315)	(3,089)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash	(2,098)	(2,315)	(3,089)
Exchange gains/(losses)	107	(22)	(117)
Movement in net cash in the period	(1,991)	(2,337)	(3,206)
Opening net cash at 1 July	11,333	14,539	14,539
Closing net cash at 31 December/30 June	9,342	12,202	11,333
Represented by:			
Cash at bank	9,342	12,202	11,333
	9,342	12,202	11,333
Reconciliation of operating revenue to net cash flow from operating activities			
Net return before finance costs and taxation	(12,999)	(18,886)	(19,310)
Losses on investments	15,093	21,024	23,454
Effective yield adjustment	(95)	(63)	(187)
Withholding tax suffered	(112)	(139)	(242)
Decrease in accrued income	125	236	896
(Increase)/decrease in other debtors	(16)	3	3
Decrease in other creditors	(19)	(53)	(49)
Exchange (gains)/losses	(107)	22	117
Net cash inflow from operating activities	1,870	2,144	4,182

12 Notes to the Accounts

1. The unaudited interim results which cover the six months to 31 December 2015 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 2015.

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.

Rates of exchange (base currency £)

	1 March 2016	31 December 2015	30 June 2015
Euro	1.28	1.36	1.40
US Dollar	1.39	1.48	1.57
Australian Dollar	1.95	2.04	2.05
Canadian Dollar	1.88	2.06	1.95
Norwegian Krone	12.10	13.02	12.39

2. A first interim dividend of 0.86p per share was paid on 27 November 2015 and a second interim dividend of 0.86p per share was paid on 29 February 2016.
3. Included within losses on investments for the period ended 31 December 2015 are realised losses of £10,386,000 and unrealised losses of £4,707,000.
4. The breakdown of income for the six months to 31 December 2015, 31 December 2014 and the year to 30 June 2015 was as follows:

	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000	Year ended 30 June 2015 £'000
Income from investments:			
UK dividend income	228	151	454
UK unfranked interest income	366	176	543
Preference share income	347	455	690
Overseas dividend income	783	926	1,762
Overseas interest income	921	1,290	2,384
	2,645	2,998	5,833
Other income:			
Deposit interest	1	5	6
Total income	2,646	3,003	5,839

5. The revenue return per ordinary share is based on a net profit after tax of £1,873,000 (31 December 2014: £2,068,000 and 30 June 2015: £4,115,000) and on a weighted average of 66,875,787 ordinary shares (31 December 2014: 66,873,490 and 30 June 2015: 66,874,250). The capital return per ordinary share is based on a net capital loss after tax of £16,177,000 (31 December 2014: a loss of £22,211,000 and 30 June 2015: a loss of £25,911,000) and on a weighted average of 66,875,787 ordinary shares (31 December 2014: 66,873,490 and 30 June 2015: 66,874,250).
6. The net asset value per ordinary share is based on net assets at the period end of £64,204,000 (31 December 2014: £84,197,000 and 30 June 2015: £81,398,000) and on 66,875,819 (31 December 2014: 66,874,451 and 30 June 2015: 66,875,765) ordinary shares, being the number of ordinary shares in issue at the period end. The net asset value per ordinary share at 31 December 2015 was 96.01p.

7. 3.5% Convertible Unsecured Loan Stock 2018

	Number of units £'000	Liability component £'000	Equity component £'000
Balance at 30 June 2015	39,930	37,270	2,248
Amortisation of discount on issue and issue expenses	-	48	-
Transfer of CULS liability discount amortisation	-	362	(362)
Conversion during the period	-	-	-
CULS buyback during the period	(1,990)	(1,882)	(108)
Balance at 31 December 2015	37,940	35,798	1,778

On 9 October 2015, the Company issued 54 ordinary shares in connection with the exercise of £207 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.

Since the 30 June 2015, the Company has purchased the following CULS for cancellation:

Date	Redemption Price (p)	Number of Units	Residual balance
30/06/2015			39,929,660
06/10/2015	n/a	207	39,929,453
09/10/2015	96.0	175,000	39,754,453
16/10/2015	97.0	90,000	39,664,453
30/10/2015	97.0	100,000	39,564,453
05/11/2015	97.0	25,000	39,539,453
20/11/2015	97.0	100,000	39,439,453
27/11/2015	97.0	30,000	39,409,453
11/12/2015	97.0	30,000	39,379,453
16/12/2015	97.0	1,350,000	38,029,453
18/12/2015	97.0	90,000	37,939,453
Further transactions post year-end			
31/12/2015			37,939,453
04/01/2016	97.0	100,000	37,839,453
12/01/2016	96.5	530,000	37,309,453
22/01/2016	96.0	200,000	37,109,453
29/01/2016	95.5	318,000	36,791,453
12/02/2016	95.0	1,376,000	35,415,453
26/02/2016	94.5	50,000	35,365,453

8. Reserves

	Special reserve £'000	Share premium £'000	Equity component of CULS £'000	Capital reserve £'000	Revenue reserve £'000
At 30 June 2015	30,386	4,806	2,248	20,568	6,671
Exchange gains	-	-	-	107	-
Prior year effective yield	-	-	-	(187)	-
Losses on investments	-	-	-	(15,093)	-
Management fees charged to capital	-	-	-	(304)	-
Finance costs charged to capital	-	-	-	(938)	-
Taxation credited to capital	-	-	-	51	-
Dividends paid	-	-	-	-	(2,595)
Retained net revenue for the period	-	-	-	-	1,873
Transfer of CULS liability discount amortisation	-	-	(362)	362	-
CULS buyback	-	-	(108)	-	-
Issue of ordinary shares	-	-	-	-	-
At 31 December 2015	30,386	4,806	1,778	4,566	5,949

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 £405,000 were incurred, of which £65,000 was payable at the period end.
As at 31 December 2015, 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.
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 2015 and 31 December 2014, 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 2015; 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 2015 are an extract from those accounts.
12. The report and accounts for the six months ended 31 December 2015 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

1 March 2016

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 2015. The Company's principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the rest of the Company's financial year.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

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

On behalf of the Board

Geoff Burns
Chairman

1 March 2016

Corporate Information

Registered Number

02978531

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Adrian J R Collins
Alun G Evans
Helen F Green
Richard Ö Prickett*

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New City Investment Managers
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AIFM

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



