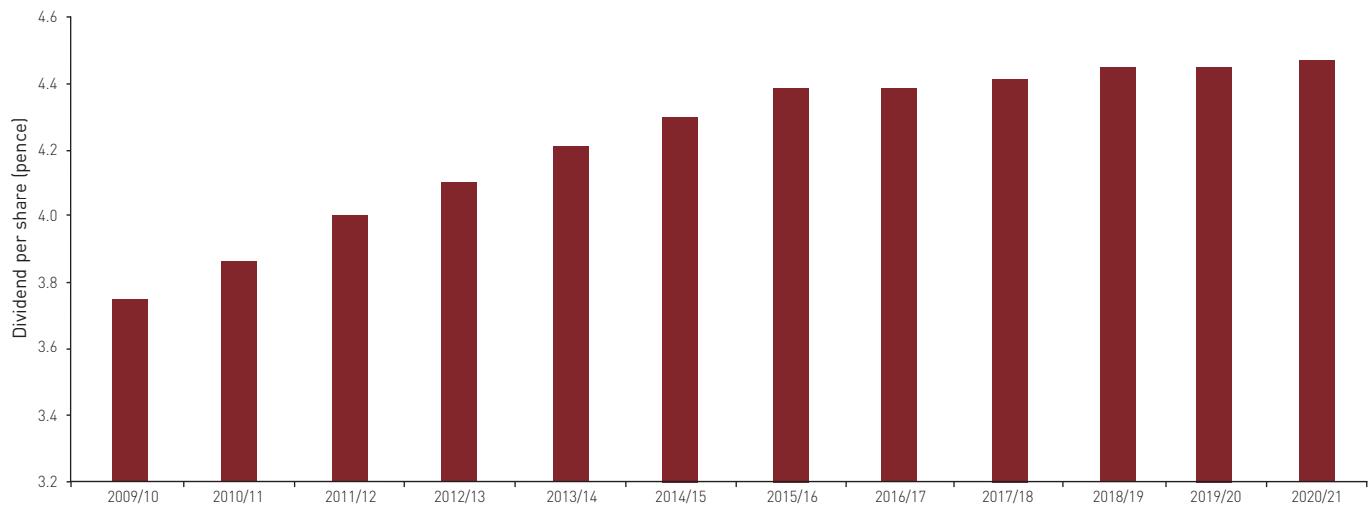


**CQS NEW CITY
HIGH YIELD FUND
LIMITED**

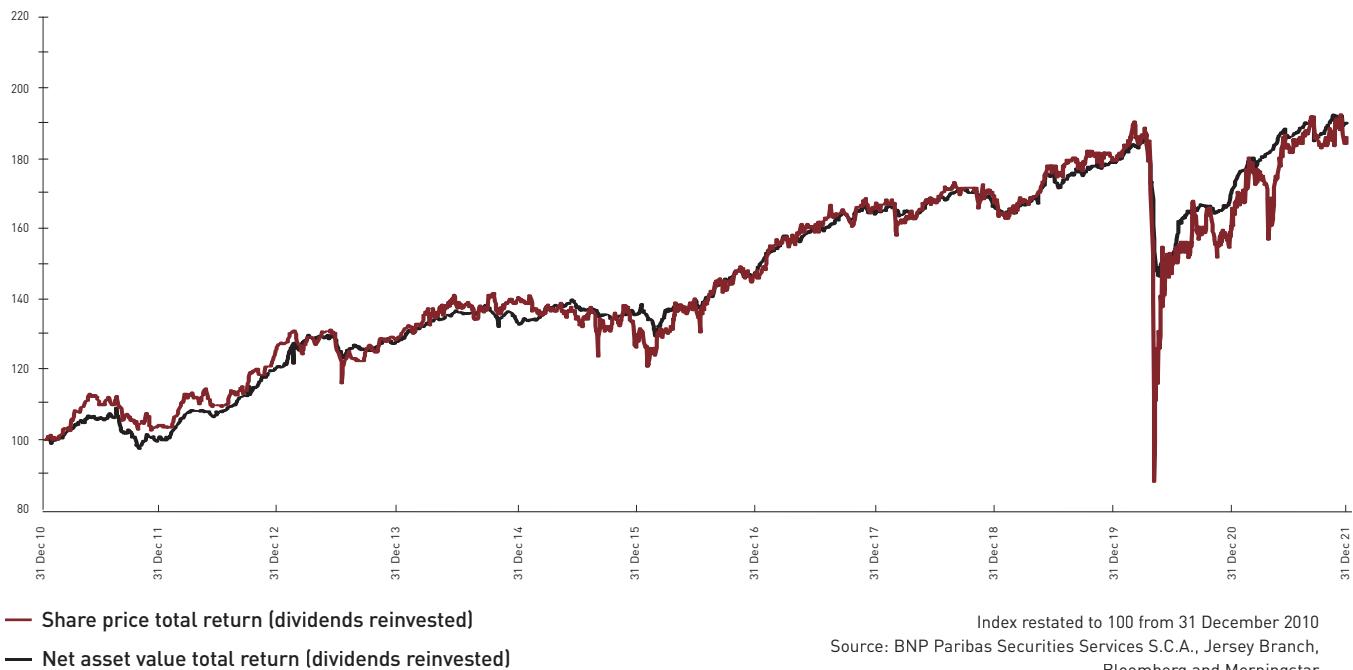
**INTERIM REPORT
31 DECEMBER 2021**

Dividends Declared in Respect of Each Financial Year



Source: Bloomberg

Net Asset Value Total Return and Share Price Total Return



Our Objective

To provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities.

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Financial Highlights and Dividend History

NAV and share price total return**	Six months to 31 December 2021	Six months to 31 December 2020		
NAV*	5.49%	8.83%		
Ordinary share price	5.64%	15.39%		
Capital Values	31 December 2021	30 June 2021		
Total assets less current liabilities (with the exception of the bank loan facility)	£278.5m	£267.2m		
NAV per ordinary share*	52.95p	52.62p		
Share price (bid) ¹	55.40p	54.80p		
Revenue and Dividends	Six months to 31 December 2021	Six months to 31 December 2020	% change	
Revenue earnings per ordinary share**	2.09p	2.12p	-1.51%	
Dividends per ordinary share**	2.00p	2.00p	0.00%	
Other Highlights	31 December 2021	30 June 2021		
Premium**	4.62%	4.14%		
Gearing*	10.97%	9.21%		
Dividend History	Rate	xd date	Record date	Payment date
First interim 2022	1.00p	28 October 2021	29 October 2021	30 November 2021
Second interim 2022	1.00p	27 January 2022	28 January 2022	25 February 2022
Total	2.00p			
First interim 2021	1.00p	22 October 2020	23 October 2020	30 November 2020
Second interim 2021	1.00p	28 January 2021	29 January 2021	26 February 2021
Third interim 2021	1.00p	29 April 2021	30 April 2021	28 May 2021
Fourth interim 2021	1.47p	29 July 2021	30 July 2021	31 August 2021
Total	4.47p			

¹Source: Bloomberg

* The definition of the terms used can be found in the glossary on page 21.

** A description of the Alternative Performance Measures used and information on how they are calculated can be found on pages 22 and 23.

Statement from the Chair

Key points

- Net asset value total return of 5.49%
- Ordinary share price total return of 5.64%
- Dividend yield of 8.1%, based on dividends at an annualised rate of 4.47 pence per share and a share price of 55.4 pence at 31 December 2021
- Ordinary share price at a premium of 4.62% at 31 December 2021
- £10.2m of equity raised during the six months to 31 December 2021

Investment and Share Price Performance

The six months ended 31 December 2021 covered by this interim report saw steady progress in the NAV and share price. Your Company had a NAV total return of 5.49% and a share price total return for the same period of 5.64%. The Company's shares have continued to trade at a premium to their NAV and as at 31 December 2021 this stood at 4.62%.

Worrying signs of higher inflation appeared as the year progressed triggering a 0.25% rise in UK interest rates in December with further increases likely to come. Indeed, we have seen a further 0.25% rise to 0.5% this month (February 2022). Broadly speaking, bond yields nudged a little higher over the six months under review. However, most bonds in your Company's portfolio have a short life span to maturity which largely protected them from the negative impact of rising interest rates. Furthermore, major stock markets rose and your Company's portfolio has a small but meaningful exposure to equities. Ian Francis, your investment manager, discusses the six months in more detail in his review on page 4.

Earnings and Dividends

The Company declared two dividends of 1.0 pence per share in this financial period, maintaining the level of those declared in the same period last year. The Company's earnings per share were 2.09 pence for the six months, compared to a figure of 2.12 pence earned in the same period last year and covering the dividends paid.

As things stand, the Board expects to follow the same pattern of dividend payments as declared last year and maintain or slightly increase the total level of dividends for the year. Based on an annual rate of 4.47 pence and a share price of 55.4 pence at the time of writing, this represents a dividend yield of 8.07%. Should earnings fall below the anticipated annual dividend amount, the Board is prepared to use a modest amount of reserves to make up a marginal shortfall and believes that this will be the most likely scenario for the next few years. The Board pays great attention to dividend payments, receiving regular feedback from shareholders on their importance. Since its launch in 2007, the level of dividends paid by the Company has increased every year.

Gearing

The Company replaced its existing £35m loan facility with Scotiabank in December 2021 with a two year £45m facility at a current all-in rate of 1.45% plus a daily non-cumulative RFR rate with the same bank. Of this facility, £33m was drawn down at 31 December 2021 and the Company had an effective gearing rate of 10.97%..

Share Issuance

Taking advantage of the premium rating that the market continues to attach to your Company's shares, £10.2m was raised from new and existing shareholders during the six month period, with 18.6 million ordinary shares issued from the block listing facility. A further £2.3m has been raised since 31 December 2021.

The Board recognises the longer term advantages of share issuance to shareholders but in the short term, issuance is only undertaken if your Investment Manager is confident of being able to invest the additional monies effectively.

Outlook

The Board is comfortable that the Company's portfolio is well diversified and generates a good level of income but nevertheless recognises that economic and geopolitical risks are currently present. On page 4 your Investment Manager gives his market outlook and talks about these risks in more detail. The Board's view is that whilst short term fluctuations cannot be ruled out, the Company is expected to continue to deliver the dividends so valued by shareholders, thereby remaining an attractive proposition to investors.

Caroline Hitch

Chair

24 February 2022

Investment Manager's Review

Market and economic review

During the six month period under review economists and market commentators began to realise that the spectre of inflation was more permanent than they had previously realised. At the end of June 2021 the UK CPI reading was an annual increase of 2.4%; by the end of December 2021 this had reached 5.4% with economists predicting higher numbers once the effects of higher energy costs are eventually passed on to consumers. There was a similar pattern in other major economies such as the US and the EU where inflation is unlikely to prove transitory. Equity stock markets over the six months seemed to shrug off worries over inflation and were generally positive with major indices at near all-time highs in many markets. For the high yield bond markets, the second half of 2021 was fairly muted apart from in Asia where property firm Evergrande's continuing woes battered Chinese high-yield bonds with an average loss for the sector of 30%.

During the Summer and Autumn months of 2021 the UK economy suffered periods of supply chain disruption as there were shortages of key raw materials and cost pressures caused by rising inflation. As the year was coming to a close these issues were exacerbated by the appearance of the Covid Omicron variant which quickly established itself and caused further issues as many workers were forced to isolate. Fortunately, this particular variant, although very virulent, appears to be causing less severe illness than previous versions. In the US, the economy appears to be proving resilient to the effects of inflation and Covid; the same cannot be said of the EU at present with growth slowing sharply.

Government stimulus to protect economies and markets appears to be coming towards an end and it will be interesting to see how Omicron and higher inflation affects decisions on interest rates and subsidies. We saw increases of 0.25% each in UK interest rates in December 2021 and February 2022 and further modest rises are expected.

Portfolio Review

Turnover within the portfolio over the last six months increased as a number of our portfolio holdings took the opportunity to refinance their bonds at lower interest rates. Typically, this means that the higher yielding bond is "called" by the relevant company and replaced with a lower yielding instrument. For New City High Yield this means that we can get a capital uplift as the bond is repaid at a higher price but means that we have to replace the yield as the new instrument normally has a much lower interest rate. In our larger positions we saw the OneSavings Bank Floating Rate Note and the Bracken Midco 8.875% bonds redeemed. These were replaced with a substantial holding in both Stonegate Pubs 8.25% 2025 (the largest pub company in the UK) and an equity position in Diversified Energy Company plc (an independent energy group with natural gas assets in onshore US). New equity investments have also been made in M&G and Phoenix Group. The portfolio continues to be well diversified across a range of sectors and we have a good proportion

of the portfolio in non-sterling currencies. The non-sterling exposure was 34.0% of the portfolio as at 31 December 2021.

Fortunately, we have not seen any problems in the portfolio where bond issuers or equity companies have been unable to pay their coupons or dividends. For the six months to 31 December 2021 the revenue account earnings per share were 2.09p compared to 2.12p for the same period last year. In my regular discussions with shareholders the revenue and dividends are topics of crucial importance and the ability of any portfolio company to pay its coupon or expected dividend is one of the major indicators we follow. With the inclusion of dividends paid the total net asset return for the six months to 31 December 2021 was an increase of 5.49%.

Outlook

The outlook for 2022 is one of continuing recovery of the global economy, albeit slower than we saw in 2021. The major danger is inflation holding the higher levels that we are currently experiencing in Western economies for longer than Central bankers are forecasting. In the UK this will put even more upward pressure on wages when allied to the National Insurance increase hitting in April and not forgetting the massive hike everyone will be facing in the costs of domestic fuel. Although we believe the portfolio is in a good place we are cautious for the year because of the geopolitical situations in the Ukraine and Taiwan; those of us old enough to remember do not want a rerun of the Cold War, even more so with much of Europe relying on oil and gas from Russia. Markets may continue to be volatile but by the summer we should hopefully be in a far better position as regards the COVID epidemic worldwide which should improve supply chains as more countries get closer to economic normality.

Ian "Franco" Francis

24 February 2022

Classification of Investment Portfolio

By Currency	As at 31 December 2021 Total investments	As at 31 December 2020 Total investments	As at 30 June 2021 Total investments
	%	%	%
Sterling	66	70	68
US Dollar	21	19	22
Euro	10	10	9
Norwegian Krone	2	1	1
Swedish Krona	1	–	–
Total investments	100	100	100

By Asset Class	As at 31 December 2021 Total investments	As at 31 December 2020 Total investments	As at 30 June 2021 Total investments
	%	%	%
Bonds	83	84	84
Equity shares	17	15	15
Convertible Bonds	–	1	1
Total investments	100	100	100

By Level	As at 31 December 2021 Total investments	As at 31 December 2020 Total investments	As at 30 June 2021 Total investments
	%	%	%
Level 1 and Level 2*	99.4	95.4	99.75
Level 3*	0.6	4.6	0.25
Total investments	100.0	100.0	100.0

* As defined in note 8 Fair Value Hierarchy

Classification of Investment Portfolio by Sector

	Dec 2021 % of total investments	Dec 2020 % of total investments	Jun 2021 % of total investments
Financials	37.2	47.6	45.0
Energy	18.7	13.5	16.5
Consumer Staples	10.8	7.4	8.2
Consumer Discretionary	9.2	7.4	6.0
Real Estate	8.7	6.1	6.9
Information Technology	6.7	2.2	2.9
Industrials	6.5	12.0	10.4
Materials	2.2	3.8	4.1
Total investments	100.0	100.0	100.0

Investment Portfolio

6

As at 31 December 2021

Company	Sector	Valuation £'000	Total Investments %
Virgin Money FRN PERP	Financials	13,374	5.0
Shawbrook Group 17-31/12/2059 FRN	Financials	13,186	4.9
Galaxy Finco Ltd 9.25% 19-31/07/2027	Financials	11,966	4.4
Aggregated Micro 8% 16-17/10/2036	Energy	9,510	3.5
Raven Russia 12% 09-31/12/2059	Real Estate	8,680	3.2
Co-Operative Fin 19-25/04/2029 FRN	Financials	8,616	3.2
REA Finance 8.75% 15-31/08/2025	Consumer Staples	8,592	3.2
Boparan Finance 7.625% 20-30/11/2025	Consumer Staples	8,459	3.1
Stonegate Pub 8.25% 20-31/07/2025	Consumer Discretionary	8,225	3.1
Diversified Energy Co Plc	Energy	7,026	2.6
Top ten investments		97,634	36.2
Hawk Debtco Ltd 10.5% 20-22/12/2024	Industrials	6,965	2.6
Just Group Plc 8.125% 19-26/10/2029	Financials	6,544	2.4
Arrow Bido Llc 9.5% 19-15/03/2024	Consumer Discretionary	6,413	2.4
American Tan 7.75% 20-02/07/2025	Energy	6,282	2.3
Albion Financing 8.75% 21-15/04/2027	Information Technology	6,008	2.2
Mangrove Luxco 7.775% 19-09/10/2025	Financials	5,639	2.1
Vpc Specialty Lending Invest	Financials	5,520	2.1
Matalan Finance 9.5% 18-31/01/2024	Consumer Discretionary	5,422	2.0
Garfunkelux Hold 7.75% 20-01/11/2025	Financials	5,186	1.9
Inspired Enterta 7.875% 21-01/06/2026	Information Technology	4,765	1.8
Top twenty investments		156,378	58.0
Azerion Hldgs 7.25% 21-28/04/2024	Information Technology	4,468	1.7
M&G Plc	Financials	4,379	1.6
REA Holdings Plc - PREF	Consumer Staples	4,173	1.5
Deutsche Bank Ag 14-30/05/2049 FRN	Financials	4,059	1.5
Euronav Nv	Energy	3,997	1.5
Bombardier Inc 7.5% 15-15/03/2025	Industrials	3,710	1.4
Stonegate Pub 8% 20-13/07/2025	Consumer Discretionary	3,672	1.4
Barclays Plc 15-29/12/2049 FRN	Financials	3,641	1.4
Lloyds Banking 14-29/12/2049 FRN	Financials	3,451	1.3
Enquest Plc 7% 16-15/10/2023	Energy	3,434	1.3
Top thirty investments		195,362	72.6
Ithaca Energy N 9% 21-15/07/2026	Energy	3,400	1.3
Euronav Lux 6.25% 21-14/09/2026	Industrials	3,349	1.2
Shamaran 12% 18-05/07/2023	Energy	3,321	1.2
Phoenix Group Holdings Plc	Financials	3,265	1.2
Welltec Intl 8.25% 21-15/10/2026	Energy	3,064	1.1
Rm Infrastructure Income Plc	Financials	3,008	1.1
Channel Island Property Fund	Real Estate	3,000	1.1
Otiga Grp As 19-08/07/2022 Sr	Consumer Staples	2,825	1.0
Coburn Resources 12% 21-20/03/2026	Materials	2,793	1.0
First Quantum 7.5% 17-01/04/2025	Materials	2,584	1.0
Top forty investments		225,971	83.8
Yew Grove Reit Plc	Real Estate	2,448	0.9
Hdl Debenture 10.375% 93-31/07/2023	Real Estate	2,315	0.9
Tufton Oceanic Assets Ltd	Financials	2,268	0.8
Aew Uk Reit Plc	Real Estate	2,188	0.8
Lloyds Banking 14-29/12/2049 FRN	Financials	2,092	0.8
Oaknorth Bank 18-01/06/2028 FRN	Financials	2,020	0.8
Doric Nimrod Air Three Ltd	Industrials	1,833	0.7
Siccar Point Ene 9% 21-04/03/2026	Energy	1,773	0.7
Greenfood Ab 21-04/11/2025 FRN	Consumer Staples	1,729	0.6
Independent Oil 19-20/09/2024 FRN	Energy	1,703	0.6
Top fifty investments		246,340	91.4

Company	Sector	Valuation £'000	Total Investments %
Newriver Reit Plc	Real Estate	1,631	0.6
Petrotal Corp 12% 21-16/02/2024	Energy	1,542	0.6
Navig Topco Hld 12% 19-03/05/2023	Industrials	1,392	0.5
Regional Reit Ltd	Real Estate	1,383	0.5
Kent Global Plc 10% 21-28/06/2026	Energy	1,321	0.5
Casino Guichard 13-31/01/2049 FRN	Consumer Staples	1,252	0.5
Palace Capital Plc	Real Estate	1,232	0.5
Euronav Lux 7.5% 17-31/05/2022	Energy	1,204	0.4
Gaming Innov 21-11/06/2024 FRN	Information Technology	1,091	0.4
House Of Hr 7.5% 20-15/01/2027	Consumer Staples	1,060	0.4
Top sixty investments		259,448	96.3
Nor5ke Viking 21-03/05/2024 FRN	Information Technology	1,029	0.4
Harbour Energy Plc	Energy	845	0.3
Croma Security Solutions Gro	Information Technology	793	0.3
Navigator Hlgs 8% 20-10/09/2025	Energy	772	0.3
Nt Rig Holdco 12% 19-20/12/2022	Financials	685	0.3
REA Trading Ltd 9.5% 21-30/06/2024	Consumer Discretionary	650	0.2
REA Holdings Plc 7.5% 16-30/06/2022	Consumer Staples	634	0.2
Shamaran 12% 21-30/07/2025	Energy	586	0.2
Hoist Finance Ab 20-31/12/2060 FRN	Financials	572	0.2
Raven Property Group Ltd	Real Estate	527	0.2
Top seventy investments		266,541	98.9
Other investments (21)		2,708	1.1
Total investments		269,249	100.00

Notes:

CV – Convertible Bond
 FRN – Floating Rate Note
 PERP – Perpetual

PREF – Preference Shares
 REIT – Real Estate Investment Trust

Top Ten Largest Holdings

As at 31 December 2021

	Valuation 30 June 2021 £'000	Purchases £'000	Sales £'000	Revaluation gain/(loss) £'000	Valuation 31 December 2021 £'000
Virgin Money FRN PERP A British banking company concentrating on UK Retail and SME regional banking services.	13,765	–	–	(391)	13,374
Shawbrook Group 17-31/12/2059 FRN A British multinational banking and financial services company.	10,793	2,074	–	319	13,186
Galaxy Finco Ltd 9.25% 31/07/2027 A specialist provider of warranties for consumer electric products.	12,133	–	–	(167)	11,966
Aggregated Micro 8% 17/10/2036 A British company using small scale, established technologies to convert wood and waste into energy in the form of heat and electricity.	8,838	781	–	(109)	9,510
Raven Russia 12% 09-31/12/2059 A property investment company specialising in commercial property in Russia.	8,757	–	–	(77)	8,680
Co-Operative Finance 25/04/2029 FRN A retail and commercial bank in the United Kingdom.	8,466	–	–	150	8,616
REA Finance 8.75% 31/08/2025 Cultivator of oil palms and production of crude palm oil and palm products.	6,318	1,881	–	393	8,592
Boparan Finance 7.625% 20-30/11/2025 The Company was formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness, and for acquisition purposes	9,278	–	–	(819)	8,459
Stonegate Pub 8.25% 20-31/07/2025 Operator of various formats ranging from high-street pubs and traditional country inns to local community pubs, student pubs, and late-night bars and venues in the United Kingdom.	6,271	2,183	–	(229)	8,225
Diversified Energy Co Plc Energy Company focusing on US natural gas.	3,205	3,861	–	(40)	7,026
	87,824	10,780	–	(970)	97,634

Condensed Statement of Comprehensive Income

For the six months ended 31 December 2021

9

Notes	Six months ended 31 December 2021 (Unaudited)			Six months ended 31 December 2020 (Unaudited)			Year ended 30 June 2021 (Audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net capital gains									
Gains on financial assets designated at fair value	8	–	3,192	3,192	–	7,665	7,665	–	23,913
Foreign exchange loss*		–	(15)	(15)	–	(20)	(20)	–	(36)
Revenue									
Income	3	11,049	–	11,049	10,659	–	10,659	21,151	–
Total income		11,049	3,177	14,226	10,659	7,645	18,304	21,151	23,877
									45,028
Expenses									
Investment management fee	4	(800)	(267)	(1,067)	(704)	(235)	(939)	(1,456)	(485)
Other expenses	5	(386)	(71)	(457)	(435)	(5)	(440)	(800)	(14)
Total expenses		(1,186)	(338)	(1,524)	(1,139)	(240)	(1,379)	(2,256)	(499)
									2,755
Profit before finance costs and taxation		9,863	2,839	12,702	9,520	7,405	16,925	18,895	23,378
Finance costs									
Interest expense	6	(190)	(61)	(251)	(145)	(48)	(193)	(326)	(107)
Profit before taxation		9,673	2,778	12,451	9,375	7,357	16,732	18,569	23,271
Irrecoverable withholding tax		(207)	–	(207)	(168)	–	(168)	(267)	–
Profit after taxation and total comprehensive income		9,466	2,778	12,244	9,207	7,357	16,564	18,302	23,271
Basic and diluted earnings per ordinary share (pence)	7	2.09	0.61	2.70	2.12	1.69	3.81	4.18	5.32
									9.50

* Excludes foreign exchange gains and losses on financial assets designated through profit and loss which are presented within gains on financial assets designated at fair value.

The total column of this statement represents the Company's Condensed Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

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

No operations were acquired or discontinued during the period.

There is no other comprehensive income as all income is recorded in the Condensed Statement of Comprehensive Income above.

The accompanying notes on page 13 to 19 are an integral part of these financial statements.

Condensed Statement of Financial Position

10

As at 31 December 2021

	Notes	As at 31 December 2021 (Unaudited) £'000	As at 31 December 2020 (Unaudited) £'000	As at 30 June 2021 (Audited) £'000
Non-current assets				
Financial assets designed at fair value through profit or loss	8	269,249	240,309	257,467
Current assets				
Debtors and other receivables		3,707	3,405	3,585
Cash and cash equivalents		6,062	3,090	11,427
		9,769	6,495	15,012
Total assets		279,018	246,804	272,479
Current liabilities				
Bank loan	6	(33,000)	(33,000)	(33,000)
Creditors and other payables		(496)	(531)	(5,301)
Total liabilities		(33,496)	(33,531)	(38,301)
Net asset value		245,522	213,273	234,178
Stated capital and reserves				
Stated capital account	9	213,624	198,745	203,416
Special distributable reserve		50,385	50,385	50,385
Capital reserve		(33,676)	(52,268)	(36,454)
Revenue reserve		15,189	16,511	16,831
Equity shareholders' funds		245,522	213,273	234,178
Net asset value per ordinary share (pence)	10	52.95p	48.88p	52.62p

The condensed financial statements on pages 9 to 19 were approved by the Board of Directors and authorised for issue on 24 February 2022 and were signed on its behalf by:

Caroline Hitch
Chair

The accompanying notes on page 13 to 19 are an integral part of these financial statements.

Condensed Statement of Changes in Equity

11

For the six months ended 31 December 2021 (Unaudited)

Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 July 2021	203,416	50,385	(36,454)	16,831	234,178
Total comprehensive income for the period:					
Profit for the period	–	–	2,778	9,466	12,244
Transactions with owners recognised directly in equity:					
Dividends paid	11	–	–	(11,108)	(11,108)
Net proceeds from issue of shares	9	10,208	–	–	10,208
At 31 December 2021	213,624	50,385	(33,676)	15,189	245,522

For the six months ended 31 December 2020 (Unaudited)

Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 July 2020	197,037	50,385	(59,725)	17,982	205,679
Total comprehensive income for the period:					
Profit for the year	–	–	7,357	9,207	16,564
Transactions with owners recognised directly in equity:					
Dividends paid	11	–	–	(10,678)	(10,678)
Net proceeds from issue of shares		1,708	–	–	1,708
At 31 December 2020	198,745	50,385	(52,368)	16,511	213,273

For the year ended 30 June 2021 (Audited)

Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 July 2020	197,037	50,385	(59,725)	17,982	205,679
Total comprehensive income for the period:					
Profit for the year	–	–	23,271	18,302	41,573
Transactions with owners recognised directly in equity:					
Dividends paid	11	–	–	(19,453)	(19,453)
Net proceeds from issue of shares		6,379	–	–	6,379
At 30 June 2021	203,416	50,385	(36,454)	16,831	234,178

The accompanying notes on page 13 to 19 are an integral part of these financial statements.

Condensed Cash Flow Statement

12 For the six months ended 31 December 2021

Notes	Six months ended 31 December 2021 (Unaudited) £'000	Six months ended 31 December 2020 (Unaudited) £'000	Year ended 30 June 2021 (Audited) £'000
Operating activities			
Profit before finance cost and taxation	12,702	16,925	42,273
Adjustments to reconcile (loss)/profit before tax to net cash flows:			
Realised (gain)/loss on financial assets designated at fair value through profit or loss	8 (2,948)	6,753	11,575
Unrealised gains on financial assets designated at fair value through profit or loss	8 (244)	(14,418)	(35,489)
Effective interest adjustment	8 (67)	(174)	(232)
Foreign exchange loss	15	20	36
Purchase of financial assets designated at fair value through profit or loss ¹	(74,340)	(32,606)	(70,415)
Proceeds from sale of financial assets designated at fair value through profit or loss ²	60,755	31,582	73,280
Changes in working capital			
(Increase)/decrease in other receivables	(317)	(43)	51
Increase/(decrease) in other payables	174	(451)	(422)
Irrecoverable withholding tax paid	(207)	(168)	(267)
Net cash inflow from operating activities	(4,477)	7,420	20,390
Financing activities			
Dividends paid	11 (11,108)	(10,678)	(19,453)
Drawdown of bank loan	6 –	2,000	2,000
Finance costs		(248)	(193)
Net proceeds from issuance of ordinary shares	9 10,483	1,708	6,104
Net cash outflow from financing	(873)	(7,163)	(11,780)
(Decrease)/increase in cash and cash equivalents	(5,350)	257	8,610
Cash and cash equivalents at the start of the period	11,427	2,853	2,853
Exchange loss	(15)	(20)	(36)
Cash and cash equivalents at the end of the period	6,062	3,090	11,427

¹ - Amounts due to brokers as at 31 December 2021 relating to purchases of financial assets designated at fair value through profit amounted to £nil (31 December 2020: £244,000; 30 June 2021: £4,980,000).

² - Amounts due from brokers as at 31 December 2021 relating to sales of financial assets designated at fair value through profit amounted to £80,200 (31 December 2020: £nil; 30 June 2020: £nil).

The accompanying notes on page 13 to 19 are an integral part of these financial statements.

Notes to the Financial Statements

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1. General Information

The Company was incorporated as a closed-end investment company with limited liability in Jersey under the Companies (Jersey) Law 1991 on 17 January 2007, with registered number 95691. The Company's ordinary shares were admitted to the Official List as maintained by the Financial Conduct Authority and admitted to trading on the Main Market of the London Stock Exchange on 7 March 2007.

The Company's registered address is IFC1, The Esplanade, St Helier, Jersey, JE1 4BP.

2. Accounting policies

2.1 Basis of accounting

The Annual Report and Financial Statements is prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with International Financial Reporting Standards ("IFRS") as adopted by the European Union which comprise standards and interpretations approved by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Standards and Standing Interpretations Committee as approved by the International Accounting Standards Committee which remain in effect. The Annual Report and Financial Statements are also prepared in accordance with the guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies (the "AIC SORP") in November 2014 and updated in January 2017, March 2018 and October 2019 with consequential amendments where this does not conflict with IFRS. The Interim Report has been prepared in accordance with International Accounting Standards (IAS) 34 – Interim Financial Reporting ("IAS 34") as adopted by the European Union. They have also been prepared using the same accounting policies applied for the year ended 30 June 2021 Annual Report and Financial Statements, which was prepared in accordance with IFRS, except for new standards and interpretations adopted by the Company as set out below. The Company has also prepared the condensed interim financial statements in line with the updated AIC SORP where this does not conflict with IFRS. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards and amendments to existing standards effective from 1 January 2021

Definition of Material (Amendments to IAS 1 and IAS 8)

The International Accounting Standards Board has redefined its definition of material, issued practical guidance on applying the concept of materiality and issued proposals focused on the application of materiality to disclosure of other accounting policies. The amendments do not have a material impact on the Company's financial statements.

Interest Rate Benchmark Reform – Phase 2

These amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and hedge accounting (no impact).

Change in basis for determining cash flows

The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At the beginning of the period, the Company had an unsecured loan facility with Scotiabank Europe Plc that had a limit of £35 million of which £33 million was drawn down at an interest rate of 1.35% + LIBOR. Pursuant to a Seventh Amendment Agreement with effective date 17 December 2021, the loan facility was increased to a committed limit of £45 million (with an option to increase by a further £5 million) of which £33 million was still drawn down as at the year end. The interest rate was changed to 1.45% + a compounded reference rate. As from 17 September 2021, the Company had replaced LIBOR by SONIA for the calculation of interest on the loan facility. The Company has noted no significant impact in finance costs pursuant to this change.

The Company held floating rate investments securities which were subject to the IBOR reform during the period given that their interest rates referenced LIBOR. All of those positions have replaced LIBOR by SONIA as from 1 July 2021, for the determination of the interest amounts due to the Company. The Company has noted no significant modification in gain or loss arising as a result of the transition from LIBOR to SONIA.

Standards, amendments and interpretations issued but not yet effective

Standards that become effective in future accounting periods and have not been early adopted by the Company:

Standard	Effective for annual periods beginning on or after
IFRS 17 - Insurance Contracts	1 January 2023
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of accounting estimates	1 January 2023

As the Company does not participate in insurance contracts in the normal course of its business, the Directors believe that the application of IFRS 17 will not have an impact on the Company's financial Statements.

Notes to the Financial Statements (continued)

The new IAS 8 amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The definition of accounting policies remains unchanged. However, the Directors believe that the application of this amendment will not have an impact on the Company's financial statements.

A number of amendments and interpretations to existing standards have been issued, but are not yet effective, that are not relevant to the Company's operations. The Directors believe that the application of these amendments and interpretations will not impact the Company's financial statements when they become effective.

2.2 Going concern

The condensed financial statements have been prepared on the going concern basis. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. The Company's existing loan facility with the Bank of Novia Scotia has been renewed for an amount of up to £45 million on 17 December 2021. After making enquiries of the Investment Manager, and having considered the Company's investment objective, nature of the investment portfolio, loan facility, expenditure projections and impact of COVID-19 on the Company, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the interim financial statements.

2.3 Segmental reporting

No segmented reporting is provided as the Board, as the Chief Operator Decision Maker (with advice from the Investment Manager), are of the opinion that the Company is engaged in a single segment of business of investing in debt and, to a significantly lesser extent, equity securities.

2.4 Seasonality

The Company's business is not subject to seasonal fluctuations.

3. Income

	Six months ended 31 December 2021 (Unaudited) £'000	Six months ended 31 December 2020 (Unaudited) £'000	Year ended 30 June 2021 (Audited) £'000
Income from investments			
Dividend income	1,455	1,634	2,934
Interest on fixed interest securities	9,594	9,025	18,217
Total income	11,049	10,659	21,151

4. Investment Management Fee

The Company's investment manager is CQS (UK) LLP ("CQS").

As per the Investment Management Agreement dated 18 September 2019, the management fee is charged at a rate of 0.8% per annum on the Company's total assets (being total assets less current liabilities (other than bank borrowings and ignoring any taxation which is or may be payable by the Company)) up to £200 million, 0.7% per annum of Assets in excess of £200 million and up to and including £300 million and 0.6% per annum thereafter. The management fee is paid monthly in arrears.

The contract between the Company and CQS (UK) LLP may be terminated by either party giving not less than 12 months' notice of termination.

During the six month period ended 31 December 2021, investment management fees of £1,067,000 were incurred (year ended 30 June 2021: £1,941,000; six months ended 31 December 2020: £939,000), of which £355,000 was payable at the period end (as at 30 June 2021: £168,000; as at 31 December 2020: £161,000). Investment management fees have been allocated 75% to revenue and 25% to capital.

5. Other Expenses

During the six months ended 31 December 2021 the Company's other expenses were £457,000 (year ended 30 June 2021: £814,000; six months ended 31 December 2020: £440,000).

Secretarial and administration fees

Secretarial and administration fees were £104,000 during the six months ended 31 December 2021 (year ended 30 June 2021: £202,000; six months ended 31 December 2020: £102,000).

Directors' fees

On 3 June 2021, the Board approved an increased level of remuneration for the Directors from £157,000 (Chair: £40,000; Audit Chair: £34,000 and other directors: £27,500) to £169,000 with an annual effect from 1 July 2021 as follows:

Chair	£42,500
Audit Chair	£36,500
Other	£30,000

Notes to the Financial Statements (continued)

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The Board has not approved any change in remuneration during the six month period ended 31 December 2021.

Directors fees for the six months ended 31 December 2021 were £85,000 (six months ended 31 December 2020: £78,000; year ended 30 June 2021: £157,000).

Audit fees and non-audit fees paid to the auditor

Audit fees were £23,000 (year ended 30 June 2021: £40,000; six months ended 31 December 2020: £22,000).

There were no non-audit fees paid to the auditor during the six month period ended 31 December 2021 (year ended 30 June 2021: £nil; six months ended 31 December 2020: £nil).

6. Bank loan and finance costs

	Six months ended 31 December 2021 (Unaudited) £'000	Six months ended 31 December 2020 (Unaudited) £'000	Year ended 30 June 2021 (Audited) £'000
Bank Loan facility – opening balance	33,000	31,000	31,000
Drawdowns	-	2,000	2,000
Bank Loan facility – closing balance	33,000	33,000	33,000

The Company had a short term unsecured loan facility of £35 million with Scotiabank Europe Plc ("Scotiabank") at the beginning of the period. On 17 December 2021, the Company entered into a Seventh Amendment Agreement with Scotiabank on the following terms:

- the committed loan facility has been increased to £45 million;
- the Agreement contains an option to increase the facility by a further £5 million – no commitment fees are payable on the £5 million until this option is exercised.
- the tenor of the facility would be 2 years from the renewal date;
- the interest on the loan would be a margin of 1.45% p.a plus a daily non-cumulative compounded RFR rate.
- the commitment fees would be 0.375% p.a on the daily Available Commitment if the utilised Commitment exceeds 50 per cent of the Commitment and 0.425% on the daily Available Commitment if the utilised Commitment is less than or equal to 50 per cent of the Commitment.

As at the six month period ended 31 December 2021, £33 million was drawn down (as at 31 December 2020: £33 million; as at 30 June 2021: £33 million).

During the six month period ended 31 December 2021, the covenants of the loan facility have been met. The following are covenants for the facility held as at 31 December 2021:

- the borrower shall not permit the adjusted asset coverage to be less than 4 to 1
- the borrower shall not permit the NAV to be less than £95 million at any time
- the borrower shall maintain an additional adjusted asset coverage of at least 1.5 to 1 at all times

The loan facility is rolled over every three months and can be cancelled at any time.

During the period, the Company incurred interest expense of £251,000 (year ended 30 June 2021: £433,000; six months ended 31 December 2020: £193,000) and paid interest of £1,000 (year ended 30 June 2021: £4,000; six months ended 31 December 2020: £2,000).

7. Earnings per ordinary share

Earnings per ordinary share	Revenue (pence)	Capital (pence)	Total (pence)
for the six months ended 31 December 2021	2.09p	0.61p	2.70p
for the six months ended 31 December 2020	2.12p	1.69p	3.81p
for the year ended 30 June 2021	4.18p	5.32p	9.50p

The revenue earnings per ordinary share is based on the net profit after taxation of £9,466,000 (year ended 30 June 2021: £18,302,000; six months ended 31 December 2020: £9,207,000) and on a weighted average of 453,397,510 (year ended 30 June 2021: 437,519,666; six months ended 31 December 2020: 434,967,075) ordinary shares in issue throughout the period.

The capital return per ordinary share is based on a net capital gain of £2,778,000 (six months ended 31 December 2021: a net capital gain of £7,357,000; year ended 30 June 2021: a net capital gain of £23,271,000) and on a weighted average of 453,397,510 (six months ended 31 December 2020: 434,967,075; year ended 30 June 2021: 437,519,666) ordinary shares in issue throughout the period.

There have been no transactions involving the Company's ordinary shares between 31 December 2021 and 24 February 2022.

Notes to the Financial Statements (continued)

8. Financial assets designated at fair value through profit or loss

All financial assets are valued at fair value through profit or loss. Gains or losses arising from changes in the fair value of investments are included in the Statement of Comprehensive Income.

	As at 31 December 2021 (Unaudited) £'000	As at 31 December 2020 (Unaudited) £'000	As at 30 June 2021 (Audited) £'000
Opening valuation	257,467	230,741	230,741
Purchases at cost	69,358	26,791	80,009
Sales proceeds	(60,835)	(25,062)	(77,428)
Realised gains/(losses) on sales ¹	2,948	(6,753)	(11,575)
Effective interest adjustment	67	174	232
Unrealised gains ²	244	14,418	35,488
Closing valuation	269,249	240,309	257,467
 Total net gain on financial assets designated at fair value through profit or loss for the period/year	 3,192	 7,665	 23,913

¹ Realised gains on financial assets designated at fair value through profit or loss is made up of gains of £3,939,000 and losses of £991,000.

² Unrealised gains on financial assets designated at fair value through profit or loss is made up of gains of £8,849,000 and losses of £8,605,000

Fair Value Hierarchy

International Financial Reporting Standard ("IFRS") 13 Fair Value Measurement requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value. The Level is determined by the lowest (that is the least reliable or independently observable) Level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 – investments quoted in an active market.

Level 2 – investments whose fair value is based directly on observable current market prices or indirectly being derived from market prices;

Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or based on observable market data.

Investments valued using stock market active prices are disclosed as Level 1 and this is the case for the quoted equity investments that the Company holds. Securities in Level 2 are priced using evaluated prices from a third party vendor, together with a price comparison made to evaluated secondary and tertiary third party sources, including broker quotes and benchmarks. As a result, these investments are disclosed as Level 2 - recognising that the fair values of these investments are not as visible as quoted investments and their higher inherent pricing risk.

Investments included as Level 3 are priced using a valuation technique reviewed by the Board taking into account, where appropriate, latest dealing prices, broker statements, valuation information and other relevant factors.

	Level 1 (Unaudited) £'000	Level 2 (Unaudited) £'000	Level 3 (Unaudited) £'000	Total (Unaudited) £'000
Financial assets at fair value				
Fixed income securities	14,919	208,109	1,284	224,312
Equity shares	39,253	5,448	236	44,937
Convertible bonds	–	–	–	–
As at 31 December 2021	54,172	213,557	1,520	269,249
 Financial assets at fair value	 Level 1 (Unaudited) £'000	 Level 2 (Unaudited) £'000	 Level 3 (Unaudited) £'000	 Total (Unaudited) £'000
Fixed income securities	6,193	184,390	10,711	201,294
Equity shares	35,939	–	332	36,271
Convertible bonds	–	2,744	–	2,744
As at 31 December 2020	42,132	187,134	11,043	240,309

Notes to the Financial Statements (continued)

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	Level 1 (Audited) £'000	Level 2 (Audited) £'000	Level 3 (Audited) £'000	Total (Audited) £'000
Financial assets at fair value				
Fixed income securities	8,757	207,223	622	216,602
Equity shares	33,793	5,498	14	39,305
Convertible bonds	–	1,560	–	1,560
As at 30 June 2021	42,550	214,281	636	257,467

During the six month period ended 31 December 2021 there were no transfers among any of the levels.

As at 30 June 2021, the following transfers occurred:

1. REA Holdings plc 7.5% 30/06/2022 £622,000 (2020: £693,000) was transferred out of level 2 to level 3 due to low liquidity levels; and
2. Aggregated Micro 8% 17/10/2036 £8,837,000 (2020: £7,081,000) was transferred out of level 3 to level 2 due to improved trading volumes and the Company's ability to source a price on a daily basis.

Financial assets designated at fair value through profit or loss reconciliation – Level 3

IFRS 13 requires disclosure, by class of financial instrument, if the effect of changing one or more input to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. On that basis the Board believe that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly. The following shows a reconciliation from the beginning to the end of the year for fair value measurements in Level 3 of the fair value hierarchy.

	Six months ended 31 December 2021 (Unaudited) £'000
Level 3 Financial Assets	
Opening valuation	636
Purchases	650
Sales	–
Unrealised losses	(708)
Realised gains	942
	1,520

If the market value of the Level 3 investments fell by 5%, the impact on the profit or loss and the NAV would have been a reduction to profit of £75,979. If the value of the Level 3 investments rose by the same amount, the effect would have been equal and opposite.

	as at 31 December 2021 (Unaudited) £'000
R.E.A Holdings Plc CW 15/07/2025	236 (1)
REA Holdings Plc 7.5% 30/06/2022	634 (1)
REA Trading Ltd 9.5% 21-30/06/2024	650 (1)
Others	–
	1,520

(1) Single broker quote, low liquidity

(2) Marked to model

(3) Asset priced

The Company also holds a number of other Level 3 assets with a value of £nil.

Notes to the Financial Statements (continued)

9. Stated Capital

Authorised

The authorised share capital of the Company is represented by an unlimited number of ordinary shares of no par value.

Allotted, called up and fully-paid

	Number of ordinary shares	Proceeds from issuance of ordinary shares £'000	Share issue costs £'000	Stated capital £'000
Total as at 1 July 2021	445,051,858			203,416
1,000,000 ordinary shares of no par value allotted on 29 June 2021 at 55.30p	1,000,000	553	(4)	549
2,100,000 ordinary shares of no par value allotted on 2 August 2021 at 54.80p	2,100,000	1,151	(9)	1,142
500,000 ordinary shares of no par value allotted on 6 August 2021 at 54.80p	500,000	274	(2)	272
500,000 ordinary shares of no par value allotted on 11 August 2021 at 54.40p	500,000	272	(2)	270
500,000 ordinary shares of no par value allotted on 18 August 2021 at 54.40p	500,000	272	(2)	270
5,500,000 ordinary shares of no par value allotted on 7 September 2021 at 54.90p	5,500,000	3,020	(23)	2,997
1,000,000 ordinary shares of no par value allotted on 28 October 2021 at 55.50p	1,000,000	555	(4)	551
500,000 ordinary shares of no par value allotted on 29 October 2021 at 55.50p	500,000	278	(3)	275
500,000 ordinary shares of no par value allotted on 3 December 2021 at 55.50p	500,000	278	(2)	276
600,000 ordinary shares of no par value allotted on 13 December 2021 at 56.00p	600,000	336	(3)	333
1,750,000 ordinary shares of no par value allotted on 21 December 2021 at 55.90p	1,750,000	978	7)	971
1,400,000 ordinary shares of no par value allotted on 22 December 2021 at 55.90p	1,400,000	783	(6)	777
2,750,000 ordinary shares of no par value allotted on 23 December 2021 at 55.90p	2,750,000	1,537	(12)	1,525
Total issued share capital at 31 December 2021	463,651,858	10,287	(79)	213,624

The balance of shares held in treasury by the Company at 31 December 2021 was nil (30 June 2021: nil; 31 December 2020: nil).

Refer to note 13 for further information subsequent to the reporting period.

10. Net Asset Value per Ordinary share

	31 December 2021 (Unaudited)	31 December 2020 (Unaudited)	30 June 2021 (Audited)
Net Asset Value (£'000)	245,522	213,273	234,178
Net Asset Value per share (pence)	52.95p	48.88p	52.62p

NAV per share has been calculated based on the share capital in issue as at year end. The issued share capital as at 31 December 2021 comprised of 463,651,858 shares (30 June 2021: 445,051,858 and 31 December 2020: 436,301,858).

Notes to the Financial Statements (continued)

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11. Dividends

Amounts recognised as distributions to equity holders in the period:

	Six months ended 31 December 2021 (Unaudited) £'000	Six months ended 31 December 2020 (Unaudited) £'000	Year ended 30 June 2021 (Audited) £'000
Dividends in respect of the previous period			
– Fourth interim dividend	6,557	6,319	6,319
Dividends in respect of the period under review			
– First interim dividend	4,551	4,359	4,359
– Second interim dividend	–	–	4,383
– Third interim dividend	–	–	4,392
	11,108	10,678	19,453

Refer to note 13 for further information subsequent to the reporting period.

A second interim dividend in respect of the year ending 31 December 2021 of 1.00p per ordinary share is payable on 25 February 2022 to shareholders on the register on 28 January 2022. In accordance with International Financial Reporting Standards ("IFRS") this dividend has not been included as a liability in this set of condensed financial statements.

12. Related Parties

The Board

During the period, there were no transactions with the Board other than directors' fees as disclosed in note 5. There were no changes to the shares held by the Directors during the period and therefore, as at 31 December 2021, the Directors each beneficially held the following shares in the Company:

Caroline Hitch:	170,000 ordinary shares
Wendy Dorman:	112,000 ordinary shares
Duncan A H Baxter:	195,127 ordinary shares
Ian Cadby:	25,000 ordinary shares
John E Newlands:	10,000 ordinary shares

Investment Manager

During the period, there were no transactions with the Investment Manager other than investment manager fees.

Refer to note 4 for further information.

All transactions with related parties are carried out on an arm's length basis.

13. Subsequent Events

The Board have evaluated subsequent events for the Company through to 24 February 2022, the date the financial statements were available to be issued, and has concluded that the material events listed below do not require adjustment of the financial statements.

Share Issues

Following the six month period ended 31 December 2021, the Company undertook a further five issues of shares issuing, in total, an additional 4,150,000 ordinary shares of no par value for total consideration of £2.3 million. As at the date of this report, the issued share capital of the Company was 467,801,858 ordinary shares of no par value.

Dividend Declaration

On 19 January 2022, the Company announced its second interim dividend of 1.00 pence per share, payable on 25 February 2022 to shareholders on the register on 28 January 2022, having an ex-dividend date of 27 January 2022.

Directors' Statements

Directors' Statement of Principal Risks and Uncertainties

When considering the total return of the Company, the Directors take account of the risk which has been taken in order to achieve that return. The Directors have carried out a robust assessment of the principal risks and mitigating factors facing the Company including those which would threaten its business model, future performance, solvency or liquidity. The following risk factors have been identified and are listed below:

- Dividend and earnings risk
- Market risk leading to a loss of share value
- Key person risk
- Gearing risk
- Operational risk
- Regulatory risk
- Political risk
- Financial risk

Information on these risks and how they are managed is given in the Annual Report and Financial Statements for the year ended 30 June 2021. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the current financial year as they were in the six months under review.

The Company may be exposed to certain risks that are not disclosed within the Annual Report and Financial Statements.

The Company is not necessarily free from any such risks.

Directors' Responsibility Statement in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the unaudited condensed financial statements within the Interim Report have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union ("EU") and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at 31 December 2021, as required by the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule ("DTR") 4.2.4R.
- the Statement from the Chair, Investment Manager's Review and the condensed financial statements include a fair review of the information required by the Disclosure Guidance and Transparency Rules ("DTR") 4.2.7R, being an indication of important events that have occurred during the first six months ended 31 December 2021 and their impact on the unaudited condensed 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 during the six months ended 31 December 2021 and that have materially affected the financial position or performance of the Company during that period.

Signed on behalf of the Board

Caroline Hitch
Chair

24 February 2022

Glossary of Terms and Definitions

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Alternative Performance Measures ("APMs")	Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes IFRS and the AIC SORP. Refer to pages 22 and 23 for further details.
Company	CQS New City High Yield Fund Limited
Dividend yield	The annual dividend per share expressed as a percentage of the share price (bid price).
FRN	Floating Rate Note.
Net Asset Value or NAV and NAV per ordinary share	The value of total assets less total liabilities. Liabilities for this purpose include current and long-term liabilities. To calculate the Net Asset Value per ordinary share, the Net Asset Value divided by the number of shares in issue produces the Net Asset Value per share.
Reference rate (RFR)	The SONIA (Sterling Overnight Index Average) reference rate displayed in the relevant screen of any authorised distributor of that reference rate.
SME	Small and medium-sized enterprises.

Alternative Performance Measures

In accordance with European Securities and Markets Authority ('ESMA') Guidelines on APMs, the Board has considered what APMs are included in the Interim Financial Statements which require further clarification.

The Company uses the following APMs (as described below) to present a measure of profitability which is aligned with the requirements of its investors and potential investors, to draw out meaningful data around revenues and earnings, and to provide additional information not required for disclosure under accounting standards:

- NAV and Ordinary share price total return
- Revenue earnings per ordinary share
- Dividends per ordinary share
- Premium or discount
- Gearing

All APMs relate to past performance. The following tables detail the methodology of the Company's APMs.

NAV and Ordinary share price total return

The return to Shareholders calculated on a per share basis by adding dividends paid and declared in the period to the increase or decrease in the share price (bid) or net asset value. The dividends are assumed to have been reinvested in the form of ordinary shares or net assets.

2021	Dividend per ordinary share	NAV	Share price (bid)
31 December 2021 (Unaudited)	2.00p	52.95p	55.40p
30 June 2021 (Audited)	4.47p	52.62p	54.80p
Capital return		0.63%	1.09%
Effect of dividend reinvestment		4.86%	4.55%
Total return		5.49%	5.64%

2020	Dividend per ordinary share	NAV	Share price (bid)
31 December 2020 (Unaudited)	2.00p	48.88p	52.00p
30 June 2020 (Audited)	4.46p	47.52p	47.40p
Capital return		2.86%	9.70%
Effect of dividend reinvestment		5.97%	5.69%
Total return		8.83%	15.39%

Revenue earnings per ordinary share

Revenue earnings (which includes dividends paid out during the six month period) divided by the weighted average number of ordinary shares in issue during the six month period.

		Six months to 31 December 2021 (Unaudited)	Six months to 31 December 2020 (Unaudited)
Revenue earnings	a	£9,466,000	£9,207,000
Weighted average number of ordinary shares in issue	b	453,397,510	434,967,075
Revenue earnings per ordinary share	(a/b)*100	2.09p	2.12p

Alternative Performance Measures (continued)

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Dividends per ordinary share

The total amount of dividends declared for every issued ordinary share over the six month period.

	Rate	xd date	Record date	Payment date
First interim 2022	1.00p	28 October 2021	29 October 2021	30 November 2021
Second interim 2022	1.00p	27 January 2022	28 January 2022	25 February 2022
Total	2.00p			
First interim 2021	1.00p	22 October 2020	23 October 2020	30 November 2020
Second interim 2021	1.00p	28 January 2021	29 January 2021	26 February 2021
Third interim 2021	1.00p	29 April 2021	30 April 2021	28 May 2021
Fourth interim 2021	1.47p	29 July 2021	30 July 2021	31 August 2021
Annual dividend per ordinary share	4.47p			

Premium or discount

The amount by which the market price per share of an investment company is higher or lower than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share.

		31 December 2021 (Unaudited)	30 June 2021 (Audited)
Share price (bid price)	a	55.40p	54.80p
NAV per share	b	52.95p	52.62p
Premium /(Discount)	(a-b)/b	4.62%	4.14%

Gearing

The level of borrowing that the Company has undertaken. Represented by total assets (being total assets less current liabilities (excluding borrowings)) less all cash, expressed as a percentage of Shareholders' funds (being the NAV of the Company) minus 100.

		31 December 2021 (Unaudited) £'000	30 June 2021 (Audited) £'000
Total assets		279,018	272,479
Current liabilities (excluding borrowings)		(496)	(5,301)
Cash and cash equivalents		(6,062)	(11,427)
Total	a	272,460	255,751
NAV	b	245,522	234,178
Gearing	((a/b)-1)*100	10.97%	9.21%

Corporate Information

Registered Number

95691

Registered Office

CQS New City High Yield Fund Limited
IFC1
The Esplanade
St. Helier
Jersey JE1 4BP

Directors

Caroline Hitch (Chair)
Duncan A H Baxter
Ian Cadby
Wendy Dorman
John E Newlands

Investment Manager

CQS (UK) LLP
1 Strand
London WC2N 5HR

AIFM

CQS (UK) LLP
1 Strand
London WC2N 5HR

Company Secretary and Administrator Custodian Bankers and Depositary

BNP Paribas Securities Services S.C.A, Jersey Branch
IFC1
The Esplanade
St. Helier
Jersey JE1 4BP

Registrars

Computershare Investor Services (Jersey) Limited
13 Castle Street
St. Helier
Jersey JE1 1ES
Channel Islands

Financial Adviser and Corporate Broker

Singer Capital Markets
1 Bartholomew Lane
London EC2N 2AX

Independent Auditor

KPMG Channel Islands Limited
37 Esplanade
St Helier
Jersey JE2 3QE

Jersey Legal Advisors

Ogier
Ogier House, The Esplanade
St. Helier
Jersey JE4 9WG
Channel Islands

UK Legal Advisors

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

Website

www.ncim.co.uk

ISIN

JE 00B1LZS514

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@cgsm.com or alternatively by visiting the Company's web site at www.ncim.co.uk.

CQS NEW CITY
HIGH YIELD FUND
LIMITED