



CQS
NEW CITY
HIGH YIELD FUND LIMITED

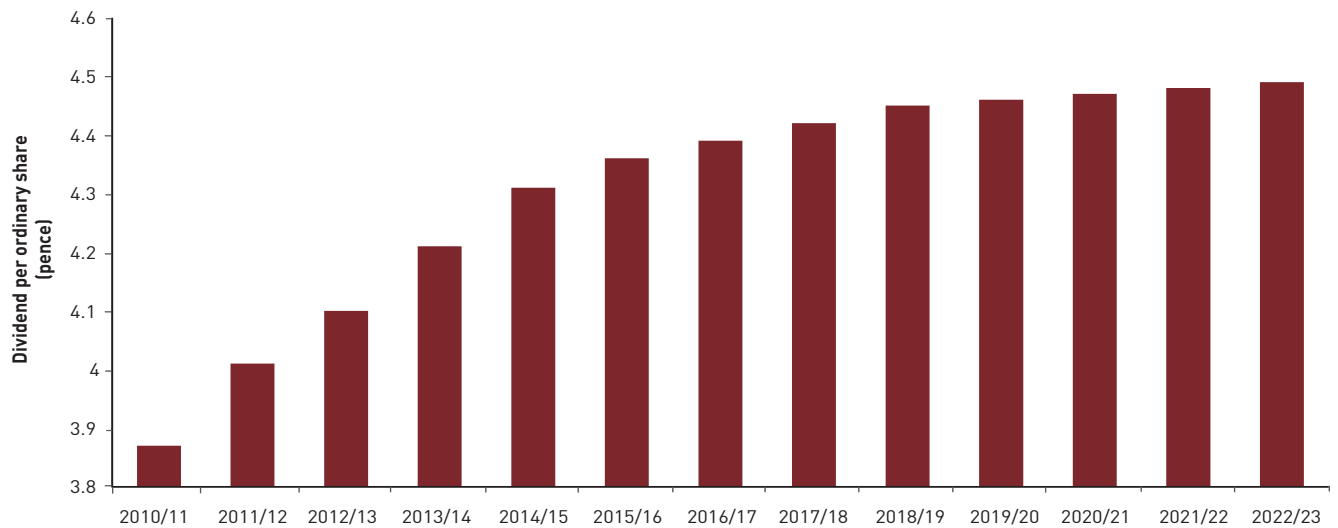


INTERIM REPORT
31 DECEMBER 2023

Purpose and strategy

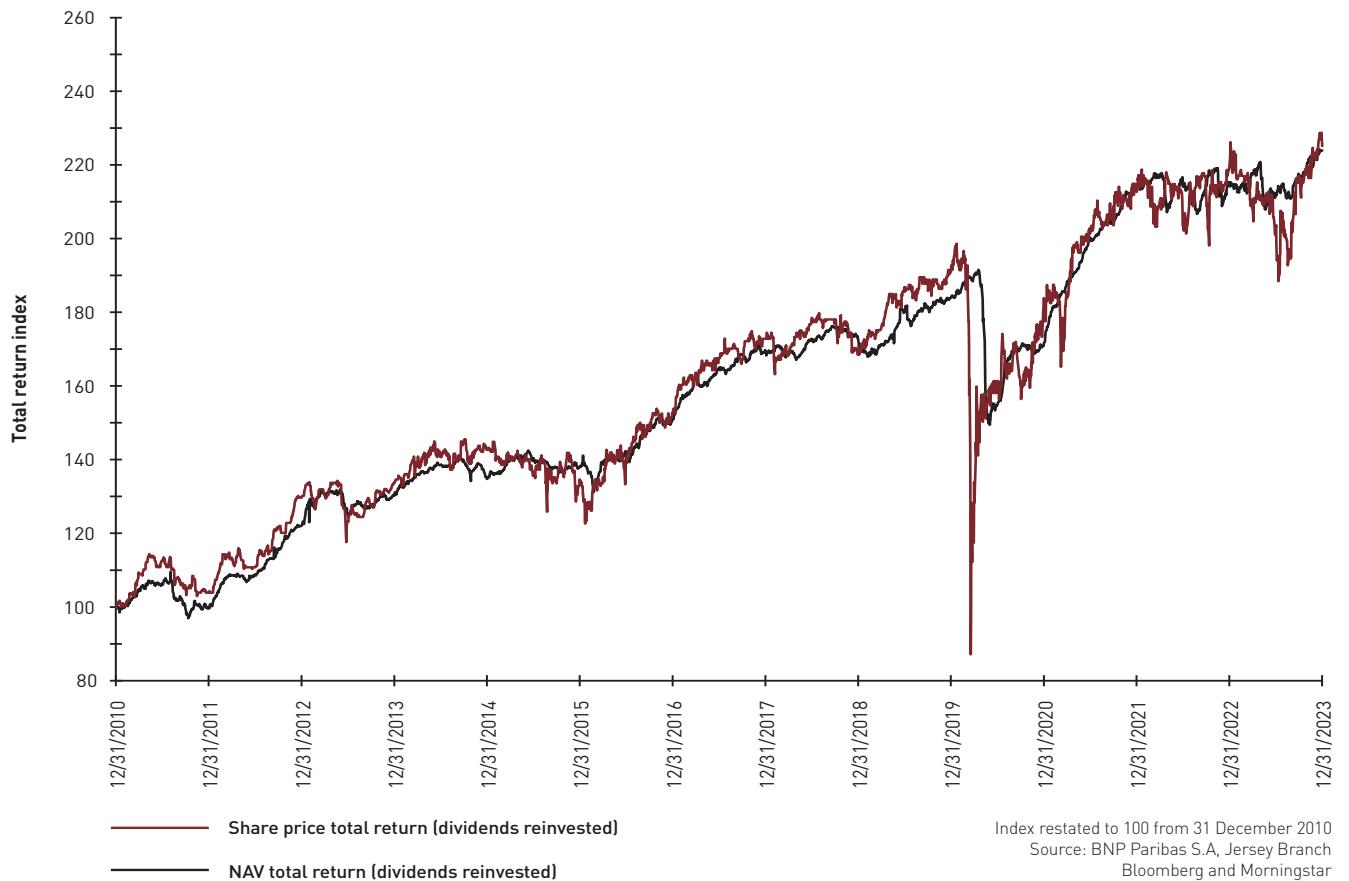
The purpose of CQS New City High Yield Fund Limited (the "Company") is to provide Shareholders with a high gross dividend yield and the potential for capital growth by mainly investing in high yielding fixed interest securities. To achieve this, the strategy of the Company is to follow the investment policy outlined on page 13 of the Annual Report and Financial Statements for the year ended 30 June 2023 and to utilise the benefits of being a closed-ended investment vehicle.

Dividends declared in respect of each financial year



Net asset value ("NAV") total return and share price total return

Source: Bloomberg



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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2 Financial Highlights and Dividend History

| NAV and share price total return ² | Six months ended 31 December 2023 | Six months ended 31 December 2022 |
|---|--------------------------------------|--------------------------------------|
| NAV ¹ | 9.42% | 3.25% |
| Ordinary share price | 11.26% | 7.75% |

| Capital values | As at 31 December 2023 | As at 30 June 2023 | % change |
|--|---------------------------|-----------------------|----------|
| Total assets less current liabilities (with the exception of the bank loan facility) | £288.1m | £275.4m | 4.61% |
| NAV per ordinary share ¹ | 47.50p | 45.83p | 3.64% |
| Share price (bid) ³ | 49.20p | 46.60p | 5.58% |

| Revenue and dividends | Six months ended 31 December 2023 | Six months ended 31 December 2022 | % change |
|--|--------------------------------------|--------------------------------------|----------|
| Revenue earnings per ordinary share ² | 2.18p | 2.27p | (3.96)% |
| Dividends per ordinary share ² | 2.00p | 2.00p | 0.00% |

| Other highlights | As at 31 December 2023 | As at 30 June 2023 |
|----------------------|---------------------------|-----------------------|
| Premium ² | 3.58% | 1.68% |
| Gearing ² | 12.76% | 11.81% |

| Dividend history | Rate | xd date | Record date | Payment date |
|------------------------------------|-------|-----------------|-----------------|------------------|
| First interim 2024 | 1.00p | 26 October 2023 | 27 October 2023 | 30 November 2023 |
| Second interim 2024 | 1.00p | 25 January 2024 | 26 January 2024 | 28 February 2024 |
| Dividend per ordinary share | 2.00p | | | |
| First interim 2023 | 1.00p | 27 October 2022 | 28 October 2022 | 25 November 2022 |
| Second interim 2023 | 1.00p | 26 January 2023 | 27 January 2023 | 28 February 2023 |
| Third interim 2023 | 1.00p | 27 April 2023 | 28 April 2023 | 26 May 2023 |
| Fourth interim 2023 | 1.49p | 27 July 2023 | 28 July 2023 | 31 August 2023 |
| Annual dividend per ordinary share | 4.49p | | | |

1 The definition of the terms used above can be found in the glossary on page 22.

2 A description of the Alternative Performance Measures ("APMs") used above and information on how they are calculated can be found on page 23.

3 Source: Bloomberg

Statement from the Chair

Key Points

- NAV total return of 9.42% for the six months ended 31 December 2023
- Ordinary share price total return of 11.26%
- Dividend yield of 9.13%, based on dividends at an annualised rate of 4.49p and a share price of 49.20p at 31 December 2023
- Ordinary share price at a premium of 3.58% at 31 December 2023
- £4,014,000 of equity raised

NAV and share price performance

I am pleased to report on a good six months for your Company, with the period ended 31 December 2023 covered by this interim report seeing positive total returns from both the NAV and share price at 9.42% and 11.26% respectively. The shares of the Company have continued to trade at a premium to their NAV and as at 31 December 2023, the premium stood at 3.58%.

Stock markets were stronger into the year-end as markets shrugged off geo-political worries arising from the conflicts in Ukraine and Israel/Gaza and, with inflation continuing to ease, focused on potential interest rate cuts. The Sterling debt market also responded to this environment and the 10-year gilt yield came down sharply from its August 2023 highs, reaching 3.50% at year-end, a number which does suggest interest rates falling at some stage in 2024. Ian "Franco" Francis, your investment manager, discusses the six months in more detail in his review on page 4.

Earnings and dividends

The Company's revenue earnings per share were 2.18p for the six months, compared to a figure of 2.27p earned in the same period last year. As explained in the Investment Manager's Review, this modest decline is a result of timing of dividends received. Otherwise, the revenue account is fairly stable as portfolio income has continued to benefit from higher interest rates.

The Company has declared two dividends of 1.00p so far in this financial period, maintaining the level of those declared in the same period last year. 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 dividend rate of 4.49p and a share price of 49.80p at the time of writing, this represents a dividend yield of 9.02%. The Board anticipates that revenue earnings per share for the whole year will cover the total dividend. The Board is very focused on dividend payments which we know are important to our Shareholders and since its launch in 2007, the level of dividends paid by the Company has increased every year.

Gearing

The Company has a £45,000,000 loan facility with The Bank of Nova Scotia ("Scotiabank") which renewed in December 2023 for a further 12-month period. Of this facility, £35,000,000 was drawn down as at 31 December 2023 and the Company had an effective gearing rate of 12.76%.

Share issuance

The investment company sector has come under pressure in 2023 and most companies are trading at a discount to their NAV, but your Company is one of the few that has continued to trade at a premium. Taking advantage of the ability to issue new shares at a premium, £4,014,000 was raised from new and existing shareholders during the six months under review, with 8,250,000 ordinary shares issued from the block listing facility. A further £2,007,000 has been raised since 31 December 2023. Not many investment companies are currently in a position to be able to issue shares and this is another indicator of the attraction of your Company.

Parent company

During the period under review, CQS (UK) LLP, your Company's Investment Manager, has advised that it is being acquired by Manulife Investment Management and the transaction is expected to close in early 2024. The Board's understanding is that this will not have an impact on your Company for the time being and we will continue to request and monitor information on any changes that do happen.

Outlook

With the peak in UK inflation and interest rates almost certainly behind us for now, the macro environment for fixed interest investments looks a little calmer than in recent years. Nevertheless, the economy is not in robust health so ongoing scrutiny of issuers' balance sheets remains vital for the high yield bonds which make up the majority of your Company's investments. The turbulent geopolitical backdrop also warrants attention, as do a number of significant elections in 2024, with the resurgence of Donald Trump in the USA and a swing to a Labour government in the UK both looking like real possibilities. Plenty for your investment manager 'Franco' to consider. As always, the broad diversification of the Company's investments provides reassurance and the Board is confident we will continue to be able to pay attractive dividends to shareholders.

Caroline Hitch

Chair

28 February 2024

4 Investment Manager's Review

Market and economic review

Away from the geopolitical issues that have dominated the headlines, the six-month period from 30 June 2023 to 31 December 2023 was reasonably positive for the high yield market in which the Company invests. Interest rates appear to have reached their peak and inflation in the UK and other western economies has fallen substantially from the double-digit figures seen earlier in 2023. The UK has entered a technical recession with the economy contracting by 0.40% in the second half of 2023. We believe that the risk of a severe recession in the UK has receded slightly.

At the end of June 2023, the UK Consumer Price Index reading was an annual increase of 6.80% and by the end of December 2023, this had fallen to 4.00%. There was a similar pattern in other major economies such as the United States ("US") and the European Union ("EU"). Interest rates have not increased in major economies for several months and although there are market commentators calling for interest rates to fall, we believe that central banks will be fairly cautious and will wait to see where inflation settles before reducing rates.

UK 10-year gilts reached a 15 year high at 4.75% in August 2023 over worries about a severe recession and the continuing effects of higher interest rates. As the year progressed, the 10-year gilt yield fell substantially and ended the year at 3.54%.

In the US, the economy appears to be proving more resilient and the service sector has been a positive contributor to the US economy. US inflation is around 2.00% and all eyes are on the timing of a first interest rate cut. The EU is not in such a good position, as manufacturing is contracting substantially in Germany and France, but any lowering of interest rates, as a policy response, could lead to inflation rising again.

For your Company, we had a good outcome with the underlying NAV rising from 45.83p at the end of June 2023 to 47.50p at the end of December 2023. With the inclusion of dividends paid, the total net asset return for the six months ended 31 December 2023 was 9.42%.

Portfolio review

During the six months ended 31 December 2023, we were able to continue to refinance existing bond holdings at higher coupon rates than we have done previously. Good examples of this are Co-operative 9.5% 2029, which was redeemed and replaced with Co-operative 11.25% 2034, and Azerion 7.25% 2024 which was redeemed and replaced with Azerion 10.625% 2026. A new entry into the Top 10 is TVL Finance, which is part of the hotel group, Travelodge and we have been buying the 10.25% 2028. The portfolio continues to be well diversified across a range of sectors as well as interest rates with a good proportion in floating rate notes. The non-sterling exposure was 28.31% of the portfolio as at 31 December 2023, out of which 15.55% was the US Dollar.

For the six months ended 31 December 2023, the revenue account earnings were 2.18p compared to 2.27p for the same period last year. Earnings per ordinary share were slightly lower than last year mainly because the half yearly dividend and repayment of historic arrears from the REA preference shares we hold, were deferred from December 2023 to April 2024. In my regular discussions with Shareholders, 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.

Outlook

With the UK going into recession in the second half of 2023 and inflation still sticky, the Bank of England faces a dilemma of when to reduce interest rates. This is now more likely to be slightly sooner than the more pessimistic forecasts of late 2024 and could feasibly happen at the end of the second quarter. In Europe, the economy overall is weak and add this to European Parliament elections in early June, it is possible that rates here too may start the downward trend earlier rather than later. Geopolitics with the wars in Ukraine and Gaza, and the Houti rebels' attacks on shipping will also impact global markets and supply chains with shipping being rerouted around the Cape rather than through the Suez canal. Overall, a lot going on which might impact markets, but the net result is probably less negative for the Western economies than in previous years.

Ian "Franco" Francis

New City Investment Managers

28 February 2024

Directors' Statements 5

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
- Geopolitical risk
- Operational risk
- Regulatory risk
- Cyber risk
- Market demand

Information on these risks and how they are managed is given in the Annual Report and Financial Statements for the year ended 30 June 2023. 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.

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 International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as adopted by the 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 2023, 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 DTR 4.2.7R, being an indication of important events that have occurred during the first six months ended 31 December 2023 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 2023 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

28 February 2024

6 Classification of Investment Portfolio

| By Currency | As at | As at | As at |
|--------------------------|-------------------|-------------------|-------------------|
| | 31 December 2023 | 31 December 2022 | 30 June 2023 |
| | Total investments | Total investments | Total investments |
| | % | % | % |
| Sterling | 71.69 | 64.79 | 67.12 |
| US dollar | 15.55 | 22.33 | 19.09 |
| Euro | 10.49 | 10.51 | 11.59 |
| Swedish krona | 1.14 | 1.81 | 1.69 |
| Norwegian krone | 1.05 | 0.39 | 0.35 |
| Canadian dollar | 0.08 | 0.09 | 0.09 |
| Australian dollar | - | 0.08 | 0.07 |
| Total investments | 100.00 | 100.00 | 100.00 |

| By Asset Class | As at | As at | As at |
|--------------------------------------|-------------------|-------------------|-------------------|
| | 31 December 2023 | 31 December 2022 | 30 June 2023 |
| | Total investments | Total investments | Total investments |
| | % | % | % |
| Fixed income securities ¹ | 83.90 | 81.09 | 82.80 |
| Equity shares ² | 16.10 | 18.91 | 17.20 |
| Total investments | 100.00 | 100.00 | 100.00 |

1 Fixed income securities include fixed and floating rate securities, convertible securities and preference shares.

2 Equity shares include investment funds.

Classification of Investment Portfolio by Sector

| | As at | As at | As at |
|--------------------------|-------------------|-------------------|-------------------|
| | 31 December 2023 | 31 December 2022 | 30 June 2023 |
| | Total investments | Total investments | Total investments |
| | % | % | % |
| Financials | 41.54 | 37.22 | 44.21 |
| Energy | 17.20 | 24.23 | 21.47 |
| Consumer discretionary | 14.35 | 11.06 | 6.98 |
| Industrials | 9.75 | 6.04 | 6.50 |
| Consumer staples | 9.73 | 9.07 | 9.55 |
| Information technology | 3.96 | 6.29 | 6.22 |
| Real estate | 2.03 | 3.84 | 3.17 |
| Materials | 1.44 | 2.25 | 1.90 |
| Total investments | 100.00 | 100.00 | 100.00 |

Investment Portfolio

As at 31 December 2023

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| Company | Sector | Valuation £'000 | Total Investments % |
|---------------------------------------|------------------------|--------------------|------------------------|
| CO-OP BANK HOLD 23-22/05/2034 FRN | Financials | 13,613 | 4.83 |
| GALAXY FINCO LTD 9.25% 19-31/07/2027 | Financials | 12,810 | 4.55 |
| SHAWBROOK GROUP 22-08/06/2171 FRN | Financials | 12,112 | 4.30 |
| VIRGIN MONEY 22-08/12/2170 FRN | Financials | 11,877 | 4.22 |
| AGGREGATED MICRO 8% 16-17/10/2036 | Energy | 11,110 | 3.94 |
| TVL FINANCE 10.25% 23-28/04/2028 | Consumer discretionary | 9,331 | 3.31 |
| BOPARAN FINANCE 7.625% 20-30/11/2025 | Consumer staples | 9,054 | 3.21 |
| BARCLAYS PLC 22-15/12/2170 FRN | Financials | 8,956 | 3.18 |
| RL FINANCE NO6 23-25/11/2171 FRN | Financials | 8,858 | 3.14 |
| STONEGATE PUB 8.25% 20-31/07/2025 | Consumer discretionary | 8,844 | 3.14 |
| Top ten investments | | 106,565 | 37.82 |
| MANGROVE LUXCO 7.775% 19-09/10/2025 | Industrials | 7,883 | 2.80 |
| REA FINANCE 8.75% 15-31/08/2025 | Consumer staples | 7,877 | 2.80 |
| INSPIRED ENTERTA 7.875% 21-01/06/2026 | Information technology | 6,991 | 2.48 |
| FRONTLINE PLC | Energy | 6,583 | 2.34 |
| JUST GROUP PLC 8.125% 19-26/10/2029 | Financials | 6,582 | 2.34 |
| PINNACLE BIDCO P 10% 23-11/10/2028 | Consumer discretionary | 6,223 | 2.21 |
| AZERION GROUP 23-02/10/2026 FRN | Consumer discretionary | 5,664 | 2.01 |
| TRANSOCEAN INC 11.5% 20-30/01/2027 | Energy | 4,916 | 1.75 |
| GARFUNKELUX HOLD 7.75% 20-01/11/2025 | Financials | 4,907 | 1.74 |
| M&G PLC | Financials | 4,893 | 1.74 |
| Top twenty investments | | 169,084 | 60.03 |
| LLOYDS BANKING 14-29/12/2049 FRN | Financials | 4,654 | 1.65 |
| DIVERSIFIED ENERGY CO PLC | Energy | 4,653 | 1.65 |
| VPC SPECIALTY LENDING INVEST | Financials | 4,435 | 1.57 |
| ARROW BIDCO LLC 10.75% 23-15/06/2025 | Consumer discretionary | 4,319 | 1.53 |
| ITHACA ENERGY N 9% 21-15/07/2026 | Energy | 4,234 | 1.50 |
| CO-OP WHOLESALE 7.5% 11-08/07/2026 | Consumer staples | 4,025 | 1.43 |
| ENQUEST PLC 11.625% 22-01/11/2027 | Energy | 3,701 | 1.31 |
| DEUTSCHE BANK AG 14-30/05/2049 FRN | Financials | 3,609 | 1.28 |
| REA HOLDINGS PLC -PREF SHARES | Consumer staples | 3,600 | 1.28 |
| SHAMARAN 12% 21-30/07/2025 | Energy | 3,572 | 1.27 |
| Top thirty investments | | 209,886 | 74.50 |
| STONEGATE PUB 8% 20-13/07/2025 | Consumer discretionary | 3,498 | 1.24 |
| BIDCO RELY 23-12/05/2026 FRN | Industrials | 3,483 | 1.24 |
| SUMMER BC HOLDCO 9.25% 19-31/10/2027 | Industrials | 3,475 | 1.23 |
| PHOENIX GROUP HOLDINGS PLC | Financials | 3,204 | 1.14 |
| OSB GROUP 23-07/09/2028 FRN | Financials | 3,084 | 1.09 |
| BARCLAYS PLC 23-15/06/2171 FRN | Financials | 2,984 | 1.06 |
| WELLTEC INTL 8.25% 21-15/10/2026 | Energy | 2,869 | 1.02 |
| BOOSTER PRECISIO 22-28/11/2026 SR | Industrials | 2,805 | 1.00 |
| DORIC NIMROD AIR THREE LTD | Industrials | 2,734 | 0.97 |
| CHANNEL ISLAND PROPERTY FUND | Real estate | 2,640 | 0.94 |
| Top forty investments | | 240,662 | 85.43 |
| SKILL BIDCO APS 23-02/03/2028 FRN | Industrials | 2,566 | 0.91 |
| ALBION FINANCING 8.75% 21-15/04/2027 | Industrials | 2,393 | 0.85 |
| RM INFRASTRUCTURE INCOME PLC | Financials | 2,320 | 0.82 |
| QUILTER PLC 23-18/04/2033 FRN | Financials | 2,281 | 0.81 |
| COBURN RESOURCES 12% 21-20/03/2026 | Materials | 2,116 | 0.75 |
| GREENFOOD AB 21-04/11/2025 FRN | Consumer staples | 2,039 | 0.72 |

| Company | Sector | Valuation £'000 | Total Investments % |
|---------------------------------------|------------------------|--------------------|------------------------|
| FRONTLINE PLC | Energy | 1,987 | 0.71 |
| FIRST QUANTUM 7.5% 17-01/04/2025 | Materials | 1,954 | 0.69 |
| TUFTON OCEANIC ASSETS LTD | Industrials | 1,867 | 0.66 |
| BLUEWATER HOLD 12% 22-10/11/2026 | Energy | 1,637 | 0.58 |
| Top fifty investments | | 261,822 | 92.93 |
| NEWRIVER REIT PLC | Real estate | 1,529 | 0.54 |
| UTB PARTNERS PLC 12.95% 23-31/03/2034 | Financials | 1,485 | 0.53 |
| GAMING INNOV 23-18/12/2026 FRN | Information technology | 1,474 | 0.52 |
| EUROBANK ERGASIA 22-06/12/2032 FRN | Financials | 1,454 | 0.52 |
| HIPGNOSIS SONGS FUND LTD | Consumer discretionary | 1,440 | 0.51 |
| KENT GLOBAL PLC 10% 21-28/06/2026 | Energy | 1,422 | 0.50 |
| WEST BROMWICH BS 18-20/08/2170 | Financials | 1,073 | 0.38 |
| PALACE CAPITAL PLC | Real estate | 1,037 | 0.37 |
| NOR5KE VIKING 21-03/05/2024 FRN | Information technology | 949 | 0.34 |
| REA TRADING 13.50% 21-30/09/2027 | Consumer discretionary | 851 | 0.30 |
| Top sixty investments | | 274,536 | 97.44 |
| CABONLINE GR 22-19/04/2026 FRN | Information technology | 773 | 0.27 |
| HARBOUR ENERGY PLC | Energy | 737 | 0.26 |
| REA HOLDINGS PLC 7.5% 16-30/06/2026 | Consumer staples | 729 | 0.26 |
| MAREX GROUP 22-30/12/2170 FRN | Financials | 613 | 0.22 |
| HOIST FINANCE AB 20-31/12/2060 FRN | Financials | 569 | 0.20 |
| CROMA SECURITY SOLUTIONS GRO | Information technology | 560 | 0.20 |
| REGIONAL REIT LTD | Real estate | 523 | 0.19 |
| WEST BROMWICH BS 11% 18-12/04/2038 | Financials | 454 | 0.16 |
| CABONLINE GROUP HOLDING AB | Information technology | 383 | 0.14 |
| FLOATEL INTL 10% 21-24/09/2026 | Energy | 343 | 0.12 |
| Top seventy investments | | 280,220 | 99.46 |
| Other investments (40) | | 1,427 | 0.54 |
| Total investments | | 281,647 | 100.00 |

Notes:

FRN – Floating Rate Note

PREF – Preference Shares

REIT – Real Estate Investment Trust

SR – Senior

Ten Largest Holdings 9

| | Valuation 30 June 2023 £'000 | Purchases £'000 | Sales £'000 | Revaluation gain £'000 | Valuation 31 December 2023 £'000 |
|---|------------------------------------|--------------------|----------------|------------------------------|--|
| CO-OP BANK HOLD 23-22/05/2034 FRN A bank-holding company that through its subsidiaries, offers banking services in UK. | - | 12,191 | - | 1,422 | 13,613 |
| GALAXY FINCO LTD 9.25% 19-31/07/2027 A specialist provider of warranties for consumer electric products. | 12,346 | - | - | 464 | 12,810 |
| SHAWBROOK GROUP 22-08/06/2171 FRN A holding company of Shawbrook Bank Limited, a specialist lending and savings bank serving consumers in the UK. | 11,917 | - | - | 195 | 12,112 |
| VIRGIN MONEY 22-08/12/2170 FRN A British banking company concentrating on UK retail and small and medium enterprises regional banking services. | 10,811 | - | - | 1,066 | 11,877 |
| AGGREGATED MICRO 8% 16-17/10/2036 A British company using small scale, established technologies to convert wood and waste into energy in the form of heat and electricity. | 11,110 | - | - | - | 11,110 |
| TVL FINANCE 10.25% 23-28/04/2028 A special purpose entity formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness and for acquisition purposes of Travelodge Group. | 4,884 | 4,136 | - | 311 | 9,331 |
| BOPARAN FINANCE 7.625% 20-30/11/2025 A special purpose entity formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness and for acquisition purposes of the 2 Sisters Food Group. | 6,666 | - | - | 2,388 | 9,054 |
| BARCLAYS PLC 22-15/12/2170 FRN A global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services. | 8,262 | - | - | 694 | 8,956 |
| RL FINANCE NO6 23-25/11/2171 FRN A special purpose entity set up to raise capital whose proceeds will be used for general business and commercial activities of Royal London. | 4,417 | 3,782 | - | 659 | 8,858 |
| 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 UK. | 8,326 | - | - | 518 | 8,844 |
| | 78,739 | 20,109 | - | 7,717 | 106,565 |

Condensed Statement of Comprehensive Income

10 For the six months ended 31 December 2023

| Notes | Six months ended 31 December 2023 (Unaudited) | | | Six months ended 31 December 2022 (Unaudited) | | | Year ended 30 June 2023 (Audited) | | | |
|---|---|------------------|----------------|---|------------------|----------------|---|------------------|-----------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | |
| Net capital gains/(losses) | | | | | | | | | | |
| Gains/(losses) on financial assets at fair value | 8 | - | 10,812 | 10,812 | - | (3,301) | (3,301) | - | (17,988) | (17,988) |
| Foreign exchange gain/(loss) ¹ | | - | 40 | 40 | - | (163) | (163) | - | (252) | (252) |
| Revenue | | | | | | | | | | |
| Investment income | 3 | 13,754 | - | 13,754 | 12,764 | - | 12,764 | 26,229 | - | 26,229 |
| Total income | | 13,754 | 10,852 | 24,606 | 12,764 | (3,464) | 9,300 | 26,229 | (18,240) | 7,989 |
| Expenses | | | | | | | | | | |
| Investment management fee | 4 | (804) | (268) | (1,072) | (787) | (261) | (1,048) | (1,591) | (530) | (2,121) |
| Other expenses | 5 | (481) | (12) | (493) | (386) | (50) | (436) | (647) | (89) | (736) |
| Total expenses | | (1,285) | (280) | (1,565) | (1,173) | (311) | (1,484) | (2,238) | (619) | (2,857) |
| Profit/(loss) before finance income/(costs) and taxation | | 12,469 | 10,572 | 23,041 | 11,591 | (3,775) | 7,816 | 23,991 | (18,859) | 5,132 |
| Finance income/(costs) | | | | | | | | | | |
| Interest income | | 107 | - | 107 | 38 | - | 38 | 124 | - | 124 |
| Interest expense | 6 | (882) | (294) | (1,176) | (450) | (150) | (600) | (1,167) | (389) | (1,556) |
| Profit/(loss) before taxation | | 11,694 | 10,278 | 21,972 | 11,179 | (3,925) | 7,254 | 22,948 | (19,248) | 3,700 |
| Irrecoverable withholding tax | | (215) | - | (215) | (197) | - | (197) | (505) | - | (505) |
| Profit/(loss) after taxation and total comprehensive income/(loss) | | 11,479 | 10,278 | 21,757 | 10,982 | (3,925) | 7,057 | 22,443 | (19,248) | 3,195 |
| Basic and diluted earnings/(losses) per ordinary share (pence) | 7 | 2.18p | 1.95p | 4.13p | 2.27p | (0.81)p | 1.46p | 4.51p | (3.87)p | 0.64p |

1 Excludes foreign exchange gains and losses on financial assets at fair value through profit and loss, which are presented within 'gains/(losses) on financial assets at fair value'.

The total column of this statement represents the Company's Condensed Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU (refer to note 2.1). The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies ("AIC").

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

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

No operations were acquired or discontinued during the period.

The accompanying notes on pages 14 to 21 are an integral part of these condensed financial statements.

Condensed Statement of Financial Position

As at 31 December 2023

11

| | Notes | As at 31 December 2023 (Unaudited) £'000 | As at 31 December 2022 (Unaudited) £'000 | As at 30 June 2023 (Audited) £'000 |
|---|-------|---|---|---|
| Non-current assets | | | | |
| Financial assets at fair value through profit or loss | 8 | 281,647 | 263,811 | 266,011 |
| Current assets | | | | |
| Debtors and other receivables | | 5,023 | 5,818 | 7,010 |
| Cash and cash equivalents | | 2,696 | 2,781 | 6,597 |
| | | 7,719 | 8,599 | 13,607 |
| Total assets | | 289,366 | 272,410 | 279,618 |
| Current liabilities | | | | |
| Bank loan | 6 | (35,000) | (33,000) | (35,000) |
| Creditors and other payables | | (1,244) | (517) | (4,187) |
| Total liabilities | | (36,244) | (33,517) | (39,187) |
| Net asset value | | 253,122 | 238,893 | 240,431 |
| Stated capital and reserves | | | | |
| Stated capital account | 9 | 248,898 | 229,368 | 244,884 |
| Special distributable reserve | | 50,385 | 50,385 | 50,385 |
| Capital reserve | | (60,580) | (55,535) | (70,858) |
| Revenue reserve | | 14,419 | 14,675 | 16,020 |
| Equity Shareholders' funds | | 253,122 | 238,893 | 240,431 |
| Net asset per ordinary share (pence) | 10 | 47.50p | 48.39p | 45.83p |

The condensed financial statements on pages 10 to 21 were approved by the Board of Directors and authorised for issue on 28 February 2024 and were signed on its behalf by:

Caroline Hitch

Chair

The accompanying notes on pages 14 to 21 are an integral part of these condensed financial statements.

12 **Condensed Statement of Changes in Equity**

For the six months ended 31 December 2023 (Unaudited)

| | Notes | Stated capital account ¹ £'000 | Special distributable reserve ² £'000 | Capital reserve ¹ £'000 | Revenue reserve ³ £'000 | Total £'000 |
|--|-------|--|---|---------------------------------------|---------------------------------------|----------------|
| At 1 July 2023 | | 244,884 | 50,385 | (70,858) | 16,020 | 240,431 |
| Total comprehensive income for the period: | | | | | | |
| Profit for the period | | - | - | 10,278 | 11,479 | 21,757 |
| Transactions with owners recognised directly in equity: | | | | | | |
| Dividends paid | 11 | - | - | - | (13,080) | (13,080) |
| Net proceeds from issue of ordinary shares | 9 | 4,014 | - | - | - | 4,014 |
| At 31 December 2023 | | 248,898 | 50,385 | (60,580) | 14,419 | 253,122 |

For the six months ended 31 December 2022 (Unaudited)

| | Notes | Stated capital account ¹ £'000 | Special distributable reserve ² £'000 | Capital reserve ¹ £'000 | Revenue reserve ³ £'000 | Total £'000 |
|--|-------|--|---|---------------------------------------|---------------------------------------|----------------|
| At 1 July 2022 | | 220,649 | 50,385 | (51,610) | 15,562 | 234,986 |
| Total comprehensive income for the period: | | | | | | |
| Profit/(loss) for the period | | - | - | (3,925) | 10,982 | 7,057 |
| Transactions with owners recognised directly in equity: | | | | | | |
| Dividends paid | 11 | - | - | - | (11,869) | (11,869) |
| Net proceeds from issue of ordinary shares | | 8,719 | - | - | - | 8,719 |
| At 31 December 2022 | | 229,368 | 50,385 | (55,535) | 14,675 | 238,893 |

For the year ended 30 June 2023 (Audited)

| | Notes | Stated capital account ¹ £'000 | Special distributable reserve ² £'000 | Capital reserve ¹ £'000 | Revenue reserve ³ £'000 | Total £'000 |
|--|-------|--|---|---------------------------------------|---------------------------------------|----------------|
| At 1 July 2022 | | 220,649 | 50,385 | (51,610) | 15,562 | 234,986 |
| Total comprehensive income for the year: | | | | | | |
| Profit/(loss) for the year | | - | - | (19,248) | 22,443 | 3,195 |
| Transactions with owners recognised directly in equity: | | | | | | |
| Dividends paid | 11 | - | - | - | (21,985) | (21,985) |
| Net proceeds from issue of ordinary shares | | 24,235 | - | - | - | 24,235 |
| At 30 June 2023 | | 244,884 | 50,385 | (70,858) | 16,020 | 240,431 |

1 Following a change in Companies (Jersey) Law 1991 effective 27 June 2008, dividends can be paid out of any capital account of the Company subject to certain solvency restrictions. However, it is the Company's policy to account for revenue items and pay dividends, drawing where necessary from a separate revenue reserve.

2 The balance on the special distributable reserve of £50,385,000 (as at 31 December 2022: £50,385,000; as at 30 June 2023: £50,385,000) is treated as distributable profits available to be used for all purposes permitted by Jersey Company Law including the buying back of ordinary shares, the payment of dividends and the payment of preliminary expenses.

3 The balance on the revenue reserve of £14,419,000 (as at 31 December 2022: £14,675,000; as at 30 June 2023: £16,020,000) is also available for paying dividends.

The accompanying notes on pages 14 to 21 are an integral part of these condensed financial statements

Condensed Cash Flow Statement

For the six months ended 31 December 2023

13

| | Notes | Six months ended 31 December 2023 (Unaudited) £'000 | Six months ended 31 December 2022 (Unaudited) £'000 | Year ended 30 June 2023 (Audited) £'000 |
|--|-------|--|--|--|
| Operating activities | | | | |
| Profit before taxation ¹ | | 21,972 | 7,254 | 3,700 |
| Adjustments to reconcile profit before taxation to net cash flows: | | | | |
| Realised (gains)/losses on financial assets at fair value through profit or loss | 8 | (2,240) | (5,131) | 1,273 |
| Unrealised (gains)/losses on financial assets at fair value through profit or loss | 8 | (8,572) | 8,432 | 16,715 |
| Effective interest adjustment | 8 | (193) | (121) | (243) |
| Foreign exchange (gain)/loss | | (40) | 163 | 252 |
| Finance costs ¹ | | 1,069 | 562 | 1,432 |
| Purchase of financial assets at fair value through profit or loss ² | | (53,464) | (41,403) | (77,242) |
| Proceeds from sale of financial assets at fair value through profit or loss ³ | | 48,829 | 37,192 | 57,170 |
| Changes in working capital | | | | |
| Decrease/(increase) in debtors and other receivables | | 1,987 | (1,998) | (3,191) |
| (Decrease)/increase in creditors and other payables | | (2,931) | (2,097) | 657 |
| Irrecoverable withholding tax paid | | (215) | (197) | (505) |
| Net cash generated from operating activities | | 6,202 | 2,656 | 18 |
| Financing activities | | | | |
| Dividends paid | 11 | (13,080) | (11,869) | (21,985) |
| Drawdown of bank loan | 6 | - | - | 2,000 |
| Finance costs | | (1,077) | (547) | (1,404) |
| Net proceeds from issuance of ordinary shares ⁴ | 9 | 4,014 | 8,719 | 24,235 |
| Net cash (used in)/generated from financing activities | | (10,143) | (3,697) | 2,846 |
| (Decrease)/increase in cash and cash equivalents | | | | |
| | | (3,941) | (1,041) | 2,864 |
| Cash and cash equivalents at the start of the period/year | | 6,597 | 3,985 | 3,985 |
| Exchange gain/(loss) | | 40 | (163) | (252) |
| Cash and cash equivalents at the end of the period/year | | 2,696 | 2,781 | 6,597 |

1 For the comparative period, six months ended 31 December 2022, in accordance with IAS 7 Statement of Cash Flows, the Cash Flow Statement has been re-presented to start with 'profit before taxation' of £7,254,000 instead of 'profit before finance income/costs and taxation' of £7,816,000. Subsequently, 'finance costs' of £562,000 have been added under 'Adjustments to reconcile profit before taxation to net cash flows'.

Included within 'profit before taxation' is dividend income of £2,458,000 (six months ended 31 December 2022: £2,507,000; year ended 30 June 2023: £4,964,000) and interest income of £11,296,000 (six months ended 31 December 2022: £10,257,000; year ended 30 June 2023: £21,265,000).

2 Amounts due to brokers as at 31 December 2023 relating to purchases of financial assets at fair value through profit amounted to £900,000 (as at 31 December 2022: Nil; as at 30 June 2023: £904,000).

3 Amounts due from brokers as at 31 December 2023 relating to sales of financial assets at fair value through profit amounted to Nil (as at 31 December 2022: Nil; as at 30 June 2023: Nil).

4 Amounts due on new share issuance not yet received as at 31 December 2023 amounted to Nil (as at 31 December 2022: Nil; as at 30 June 2023: Nil).

The accompanying notes on pages 14 to 21 are an integral part of these condensed financial statements.

1. General information

The Company is a closed-ended investment company and was incorporated with limited liability in Jersey under the Companies (Jersey) Law 1991 on 17 January 2007, with registered number 95691. The Company’s ordinary shares are listed on the Official List as maintained by the FCA 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 are 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”) updated most recently in July 2022 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 2023 Annual Report and Financial Statements, which was prepared in accordance with IFRS, except for any new standards and interpretations applicable to the Company during the six-month period under review.

Standards and amendments to existing standards effective in the current period:

The following new standards, amendments and interpretations to existing standards have been issued and are effective in the current period and the Directors believe that the application of these amendments and interpretations do not significantly impact the Company’s condensed financial statements:

| Standards | Effective for periods beginning on or after |
|---|--|
| • IFRS 17 Insurance Contracts | 1 January 2023 |
| • Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 | 1 January 2023 |
| • Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| • Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |
| • International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 | 27 May 2023 |

Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations to existing standards become effective in future accounting periods and have not been early adopted by the Company, as the Directors believe that these amendments are not relevant to the Company’s operations:

| Standards | Effective for periods beginning on or after |
|---|--|
| • Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | 1 January 2024 |
| • Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2024 |
| • Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7 | 1 January 2024 |
| • IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures | 1 January 2024 |
| • Lack of Exchangeability – Amendments to IAS 21 | 1 January 2025 |
| • Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 | Optional |

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 as detailed in Note 6 is due to expire on 18 December 2024 after which it is anticipated the Company will take out a new facility on comparable terms. After making enquiries with the Investment Manager and having considered the Company’s investment objective, nature of the investment portfolio, loan facility, expenditure projections and the impact of the current geo-political and market uncertainty, 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

The Company holds a wide variety of different investments in a wide range of issues locating in different geographies and operating in different sectors. However, resources are allocated and the business is managed by the Directors on an aggregated basis. Strategic and financial management decisions are determined centrally by the Directors and on this basis, the Company operates as a single investment management business and no segmental reporting is provided.

2.4 Seasonality

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

3. Investment income

| | Six months ended 31 December 2023 (Unaudited) £'000 | Six months ended 31 December 2022 (Unaudited) £'000 | Year ended 30 June 2023 (Audited) £'000 |
|--|--|--|--|
| Income from financial assets at fair value through profit or loss¹ | | | |
| Dividend income | 2,458 | 2,507 | 4,964 |
| Interest on fixed income securities ² | 11,296 | 10,257 | 21,265 |
| Total income | 13,754 | 12,764 | 26,229 |

1 All investment income arises from financial assets valued at fair value through profit or loss.

2 Fixed income securities include fixed and floating rate securities, convertible securities and preference shares.

4. Investment management fee

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

As per the Investment Management Agreement dated 18 September 2019, the management fee is charged at a rate of 0.80% 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 £200,000,000, 0.7% per annum of Assets in excess of £200,000,000 and up to and including £300,000,000 and 0.60% 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 months ended 31 December 2023, investment management fees of £1,072,000 were incurred (six months ended 31 December 2022: £1,048,000; year ended 30 June 2023: £2,121,000), of which £174,000 was payable at the period end (as at 31 December 2022: £343,000; as at 30 June 2023: £176,000). Investment management fees have been allocated 75% to revenue and 25% to capital.

5. Other expenses

During the six months ended 31 December 2023, the Company's other expenses were £493,000 (six months ended 31 December 2022: £436,000; year ended 30 June 2023: £736,000).

Secretarial and administration fees

Secretarial and administration fees were £104,000 during the six months ended 31 December 2023 (six months ended 31 December 2022: £102,000; year ended 30 June 2023: £206,000).

Directors' fees

The Directors' yearly remuneration, effective from 1 July 2023, is as follows:

| | |
|-------------|---------|
| Chair | £45,000 |
| Audit Chair | £39,000 |
| Other | £32,500 |

The Board has not approved any change in remuneration during the six months ended 31 December 2023.

Directors fees for the six months ended 31 December 2023 were £91,000 (six months ended 31 December 2022: £85,000; year ended 30 June 2023: £169,000).

Audit fees and non-audit fees paid to the auditor

Audit fees incurred for the six months under review were £25,000 (six months ended 31 December 2022: £25,000; year ended 30 June 2023: £51,000).

There were no non-audit fees paid to the auditor during the six months ended 31 December 2023 (six months ended 31 December 2022: £nil; year ended 30 June 2023: £nil)

6. Bank loan and interest expense

| | Six months ended 31 December 2023 (Unaudited) £'000 | Six months ended 31 December 2022 (Unaudited) £'000 | Year ended 30 June 2023 (Audited) £'000 |
|---|--|--|--|
| Bank loan facility – opening balance | 35,000 | 33,000 | 33,000 |
| Drawdown | - | - | 2,000 |
| Bank loan facility – closing balance | 35,000 | 33,000 | 35,000 |

The Company had a short-term unsecured loan facility with Scotiabank up to a limit of £45,000,000 which expired on 17 December 2023. On 20 December 2023, the Company entered into an Amendment and Restatement Agreement with Scotiabank to renew the loan facility, under the following terms:

- the Agreement contains an option to increase the facility by a further £5,000,000 – no commitment fees are payable on the £5,000,000 until this option is exercised;
- the loan facility is due to expire on 18 December 2024;
- the interest on the loan is a margin of 2.00% per annum plus the daily non-cumulative compounded Reference Rate (RFR); and
- the commitment fees payable is 0.675% per annum on the daily available commitment.

As at 31 December 2023, the drawn down amount of the facility was £35,000,000 (as at 31 December 2022: £33,000,000; as at 30 June 2023: £35,000,000).

During the six months ended 31 December 2023 and up until the date of this report, the Company has complied with all covenants of the loan facility which are as follows:

- 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 £95,000,000 at any time; and
- the borrower shall maintain an additional adjusted asset coverage of at least 1.5 to 1 at all times.

During the period, the Company incurred interest expense of £1,176,000 (six months ended 31 December 2022: £600,000; year ended 30 June 2023: £1,556,000).

7. Basic and diluted earnings/(losses) per ordinary share

| | Revenue | Capital | Total |
|--|--------------|--------------|--------------|
| for the six months ended 31 December 2023 | 2.18p | 1.95p | 4.13p |
| for the six months ended 31 December 2022 | 2.27p | (0.81)p | 1.46p |
| for the year ended 30 June 2023 | 4.51p | (3.87)p | 0.64p |

The revenue earnings per ordinary share is based on the net profit after taxation of £11,479,000 (six months ended 31 December 2022: £10,982,000; year ended 30 June 2023: £22,443,000) and the capital return per ordinary share is based on a net capital gain of £10,278,000 (six months ended 31 December 2022: net capital loss of £3,925,000; year ended 30 June 2023: net capital loss of £19,248,000). Both the revenue earning and capital return per ordinary share are based on a weighted average of 526,645,336 (six months ended 31 December 2022: 483,222,238; year ended 30 June 2023: 497,695,146) ordinary shares in issue throughout the period.

There have been no transactions involving the Company's ordinary shares between 31 December 2023 and 28 February 2024 other than those disclosed in note 13.

8. Financial assets 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.

| | Six months ended 31 December 2023 (Unaudited) £'000 | Six months ended 31 December 2022 (Unaudited) £'000 | Year ended 30 June 2023 (Audited) £'000 |
|---|--|--|--|
| Opening valuation | 266,011 | 263,393 | 263,393 |
| Purchases at cost | 53,460 | 40,790 | 77,533 |
| Sales proceeds | (48,829) | (37,192) | (57,170) |
| Realised gains/(losses) on sales ¹ | 2,240 | 5,131 | (1,273) |
| Effective interest adjustment | 193 | 121 | 243 |
| Unrealised gains/(losses) ² | 8,572 | (8,432) | (16,715) |
| Closing valuation | 281,647 | 263,811 | 266,011 |
| Net capital gains/(losses) | 10,812 | (3,301) | (17,988) |

¹ 'Realised gains/(losses)' are made up of gains of £5,027,000 (six months ended 31 December 2022: £5,131,000; year ended 30 June 2023: £6,030,000) and losses of £2,787,000 (six months ended 31 December 2022: £nil; year ended 30 June 2023: £7,303,000).

² 'Unrealised gains/(losses)' are made up of gains of £20,211,000 (six months ended 31 December 2022: £6,113,000; year ended 30 June 2023: £8,225,000) and losses of £11,639,000 (six months ended 31 December 2022: £14,545,000; year ended 30 June 2023: £24,940,000).

Fair Value Hierarchy

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.

Transfers in and out of the levels are deemed to have occurred at the start of the reporting period.

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 by the investment manager using a valuation technique reviewed by the Board taking into account, where appropriate, latest dealing prices, broker statements, valuation information and other relevant factors.

| Financial assets at fair value | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|--------------------------------------|------------------|------------------|------------------|----------------|
| Fixed income securities ¹ | 234 | 233,703 | 2,356 | 236,293 |
| Equity shares ² | 41,668 | 3,200 | 486 | 45,354 |
| As at 31 December 2023 | 41,902 | 236,903 | 2,842 | 281,647 |

| Financial assets at fair value | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|--------------------------------------|------------------|------------------|------------------|----------------|
| Fixed income securities ¹ | 235 | 209,180 | 4,513 | 213,928 |
| Equity shares ² | 45,926 | 3,834 | 123 | 49,883 |
| As at 31 December 2022 | 46,161 | 213,014 | 4,636 | 263,811 |

| Financial assets at fair value | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|--------------------------------------|------------------|------------------|------------------|----------------|
| Fixed income securities ¹ | 228 | 219,970 | 50 | 220,248 |
| Equity shares ² | 42,088 | 3,621 | 54 | 45,763 |
| As at 30 June 2023 | 42,316 | 223,591 | 104 | 266,011 |

1 Fixed income securities include fixed and floating rate securities, convertible securities and preference shares.

2 Equity shares include investment funds.

Financial assets 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 inputs 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 believes 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 period for fair value measurements in Level 3 of the fair value hierarchy.

| Level 3 Financial Assets | Six months ended 31 December 2023 (Unaudited) £'000 |
|--------------------------|--|
| Opening valuation | 104 |
| Purchases | 1,457 |
| Sales | (344) |
| Unrealised gains | 1,993 |
| Realised losses | (1,544) |
| Transfers into Level 3 | 1,184 |
| Transfers out of Level 3 | (8) |
| Closing valuation | 2,842 |

Transfers into Level 3

Secured Income Fund PLC of £18,000 (as at 30 June 2023: £321,000) was transferred out of Level 2 to Level 3 because its shares were delisted during the six months ended 31 December 2023.

REA Trading 13.5% 21-30/09/2027 of £851,000 (as at 30 June 2023: £863,000) was transferred out of Level 2 to Level 3 due to the lack of observable data at period end.

Oro Negro Drilling 7.5% 14-24/01/2019 DFLT £15,000 (as at 30 June 2023: £8,000) were transferred out of Level 3 to Level 2 since it has been priced through broker quotes.

Quantitative information of significant unobservable inputs – Level 3

The following table summarises the significant unobservable inputs the Company used to value its significant investments categorised within Level 3 as at 31 December 2023:

| Description | Fair value as at 31 December 2023 £000 | Valuation technique | Significant Unobservable inputs | Range/input | Weighted Average |
|--------------------------------------|--|------------------------|------------------------------------|-------------|---------------------|
| Gaming Innov 23-18/12/2026 FRN | 1,474 | Cost | N/A | N/A | N/A |
| REA Trading 13.5% 21- 30/09/2027 | 851 | Vendor pricing | Unadjusted broker quote | 1 | N/A |
| Cabonline Group Holding AB | 398 | Cost | N/A | N/A | N/A |
| R.E.A. Holdings Plc CW 15/07/2025 | 70 | Black Scholes model | Volatility | 52.3 | N/A |
| ORO SG 12% 19-20/12/2025 DFLT | 31 | Vendor pricing | Unadjusted broker quote | 1 | N/A |
| Secured Income Fund PLC | 18 | Vendor pricing | Unadjusted broker quote | 1 | N/A |
| Total | 2,842 | | | | |

The remaining 24 investments classified as Level 3 have not been included in the above analysis as they have fair value of nil as at 31 December 2023.

9. Stated capital account

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 | Amount received £'000 | Share issue costs £'000 | Share capital £'000 |
|---|------------------------------|-----------------------------|-------------------------------|---------------------------|
| Total as at 1 July 2023 | 524,601,858 | | | 244,884 |
| 1,750,000 ordinary shares of no par value allotted on 29 September 2023 at 49.00p | 1,750,000 | 858 | (6) | 852 |
| 1,500,000 ordinary shares of no par value allotted on 1 November 2023 at 48.15p | 1,500,000 | 722 | (5) | 717 |
| 1,500,000 ordinary shares of no par value allotted on 24 November 2023 at 48.80p | 1,500,000 | 732 | (5) | 727 |
| 500,000 ordinary shares of no par value allotted on 30 November 2023 at 49.00p | 500,000 | 245 | (2) | 243 |
| 750,000 ordinary shares of no par value allotted on 7 December 2023 at 49.00p | 750,000 | 367 | (3) | 364 |
| 500,000 ordinary shares of no par value allotted on 14 December 2023 at 49.10p | 500,000 | 245 | (2) | 243 |
| 500,000 ordinary shares of no par value allotted on 20 December 2023 at 49.90p | 500,000 | 250 | (2) | 248 |
| 750,000 ordinary shares of no par value allotted on 21 December 2023 at 50.00p | 750,000 | 375 | (3) | 372 |
| 500,000 ordinary shares of no par value allotted on 22 December 2023 at 50.00p | 500,000 | 250 | (2) | 248 |
| Total issued share capital at 31 December 2023 | 532,851,858 | 4,044 | (30) | 248,898 |

The balance of shares held in treasury by the Company at 31 December 2023 was nil (as at 31 December 2022: nil; as at 30 June 2023: nil).

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

10. Net asset per ordinary share

| | 31 December 2023 (Unaudited) | 31 December 2022 (Unaudited) | 30 June 2023 (Audited) |
|--------------------------------------|---------------------------------|---------------------------------|---------------------------|
| NAV (€'000) | 253,122 | 238,893 | 240,431 |
| Net asset per ordinary share (pence) | 47.50 | 48.39 | 45.83p |

Net asset per ordinary share has been calculated based on the share capital in issue as at year end. The issued share capital as at 31 December 2023 comprised of 532,851,858 ordinary shares (as at 31 December 2022: 493,651,858; as at 30 June 2023: 524,601,858).

11. Dividends

| | Six months ended 31 December 2023 (Unaudited) £'000 | Six months ended 31 December 2022 (Unaudited) £'000 | Year ended 30 June 2023 (Audited) £'000 |
|---|--|--|--|
| Amounts recognised as distributions to equity holders in the period/year: | | | |
| Dividends in respect of the previous period | | | |
| – Fourth interim dividend | 7,816 | 7,054 | 7,054 |
| Dividends in respect of the period under review | | | |
| – First interim dividend | 5,264 | 4,815 | 4,815 |
| – Second interim dividend | - | - | 4,963 |
| – Third interim dividend | - | - | 5,153 |
| | 13,080 | 11,869 | 21,985 |

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

A second interim dividend of 1.00p per ordinary share in respect of the quarter ended 31 December 2023 is payable on 28 February 2024 to shareholders on the register on 26 January 2024. In accordance with the IFRS, this dividend has not been included as a liability in this set of condensed financial statements.

12. Related Parties

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

The Board

As at 31 December 2023, the Directors each beneficially held the following shares in the Company:

| | |
|-----------------|--------------------------------------|
| Caroline Hitch: | 211,500 ¹ ordinary shares |
| Wendy Dorman: | 149,529 ordinary shares |
| Duncan Baxter: | 195,127 ordinary shares |
| Ian Cadby: | 25,000 ordinary shares |
| John Newlands: | 10,000 ordinary shares |

¹ inclusive of 41,500 shares held by Ms Hitch's mother.

There were no other transactions with the Board during the period, other than the above and the directors' fees disclosed in note 5.

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.

On 15 November 2023, the Company announced that the Investment Manager and AIFM, CQS (UK) LLP, has advised that it is being acquired by Manulife Investment Management, a leading international financial services group. There are no planned changes to the investment management team. The transaction is expected to close in early 2024.

13. Subsequent Events

The Board have evaluated subsequent events for the Company through to 28 February 2024, the date the condensed financial statements were available to be issued and has concluded that the material events listed below do not require adjustment of the condensed financial statements.

Share issues

Following the six months ended 31 December 2023, the Company undertook a further three issues of ordinary shares issuing, in total, an additional 4,000,000 ordinary shares of no par value for total consideration of £2,007,000. As at the date of this report, the issued share capital of the Company was 536,851,858 ordinary shares of no par value.

Dividend declaration

On 18 January 2024, the Company announced its second interim dividend of 1.00 pence per ordinary share, payable on 28 February 2024 to shareholders on the register on 26 January 2024, having an ex-dividend date of 25 January 2024.

22 Glossary of Terms and Definitions

| | |
|--|--|
| 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 page 23 for further details. |
| Dividend yield | The annual dividend per ordinary share expressed as a percentage of the share price (bid price). |
| 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 is divided by the number of ordinary shares in issue. |
| Reference rate (RFR) | The SONIA (Sterling Overnight Index Average) reference rate displayed in the relevant screen of any authorized distributor of that reference. |
| Shareholder | Investor who holds shares in the Company. |

Alternative Performance Measures 23

In accordance with European Securities and Markets Authority 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 our 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/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 ordinary share basis by adding dividends paid and declared in the period to the increase or decrease in the share price (bid) or NAV. The dividends are assumed to have been reinvested in the form of ordinary shares or net assets.

| 2023 | Dividend per ordinary share | NAV | Share price (bid) |
|---------------------------------|--------------------------------|--------------|----------------------|
| 31 December 2023 (Unaudited) | 2.00p | 47.50 | 49.20 |
| 30 June 2023 (Audited) | 4.49p | 45.83 | 46.60 |
| Capital return | | 3.64% | 5.58% |
| Effect of dividend reinvestment | | 5.78% | 5.68% |
| Total return | | 9.42% | 11.26% |

| 2022 | Dividend per ordinary share | NAV | Share price (bid) |
|---------------------------------|--------------------------------|----------------|----------------------|
| 31 December 2022 (Unaudited) | 2.00p | 48.39 | 52.60 |
| 30 June 2022 (Audited) | 4.48p | 49.30 | 51.20 |
| Capital return | | (1.85)% | 2.73% |
| Effect of dividend reinvestment | | 5.10% | 5.02% |
| Total return | | 3.25% | 7.75% |

Revenue earnings per ordinary share

Revenue earnings (which includes dividends paid out during the six months ended 31 December 2023) divided by the weighted average number of ordinary shares in issue during the six months ended 31 December 2023.

| | | Six months to 31 December 2023 (Unaudited) | Six months to 31 December 2022 (Unaudited) |
|---|------------------|--|--|
| Revenue earnings | a | £11,479,000 | £10,982,000 |
| Weighted average number of ordinary shares in issue | b | 526,645,336 | 483,222,238 |
| Revenue earnings per ordinary share | (a/b)*100 | 2.18p | 2.27p |

24 Alternative Performance Measures (continued)

Dividends per ordinary share

The total amount of dividends declared for every issued ordinary share over the six months ended 31 December 2023.

| Dividend History | Rate | xd date | Record date | Payment date |
|--|--------------|-----------------|-----------------|------------------|
| First interim 2024 | 1.00p | 26 October 2023 | 27 October 2023 | 30 November 2023 |
| Second interim 2024 | 1.00p | 25 January 2024 | 26 January 2024 | 28 February 2024 |
| Interim dividend per ordinary share | 2.00p | | | |
| First interim 2023 | 1.00p | 27 October 2022 | 28 October 2022 | 25 November 2022 |
| Second interim 2023 | 1.00p | 26 January 2023 | 27 January 2023 | 28 February 2023 |
| Interim dividend per ordinary share | 2.00p | | | |

Premium/Discount

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

| | | 31 December 2023 [Unaudited] | 30 June 2023 [Audited] |
|-------------------------|----------------|---------------------------------|---------------------------|
| Share price (bid price) | a | 49.20p | 46.60p |
| NAV per ordinary share | b | 47.50p | 45.83p |
| Premium | (a-b)/b | 3.58% | 1.68% |

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 2023 [Unaudited] £'000 | 30 June 2023 [Audited] £'000 |
|--|----------------------|--|------------------------------------|
| Total assets | | 289,366 | 279,618 |
| Current liabilities (excluding borrowings) | | (1,244) | (4,187) |
| Cash and cash equivalents | | (2,696) | (6,597) |
| Total | a | 285,426 | 268,834 |
| NAV | b | 253,122 | 240,431 |
| Gearing | [(a/b)-1]*100 | 12.76% | 11.81% |

Registered Number

95691

Registered Office

CQS New City High Yield Fund Limited

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Directors

Caroline Hitch (Chair)
Duncan Baxter
Ian Cadby
Wendy Dorman (Audit and Risk Committee Chair)
John E Newlands

Investment Manager

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AIFM

CQS (UK) LLP

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Shareholder Information

NAV/Share Price

The NAV of the Company's ordinary shares may be obtained by contacting CQS (UK) LLP 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.

