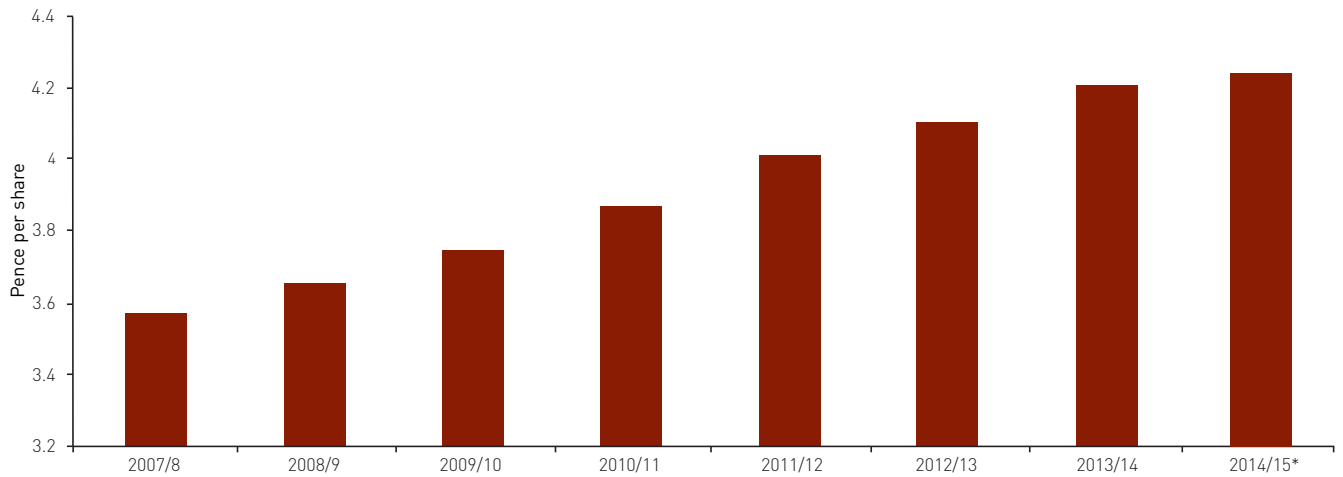

NEW CITY
HIGH YIELD FUND
LIMITED

INTERIM REPORT
31 DECEMBER 2014

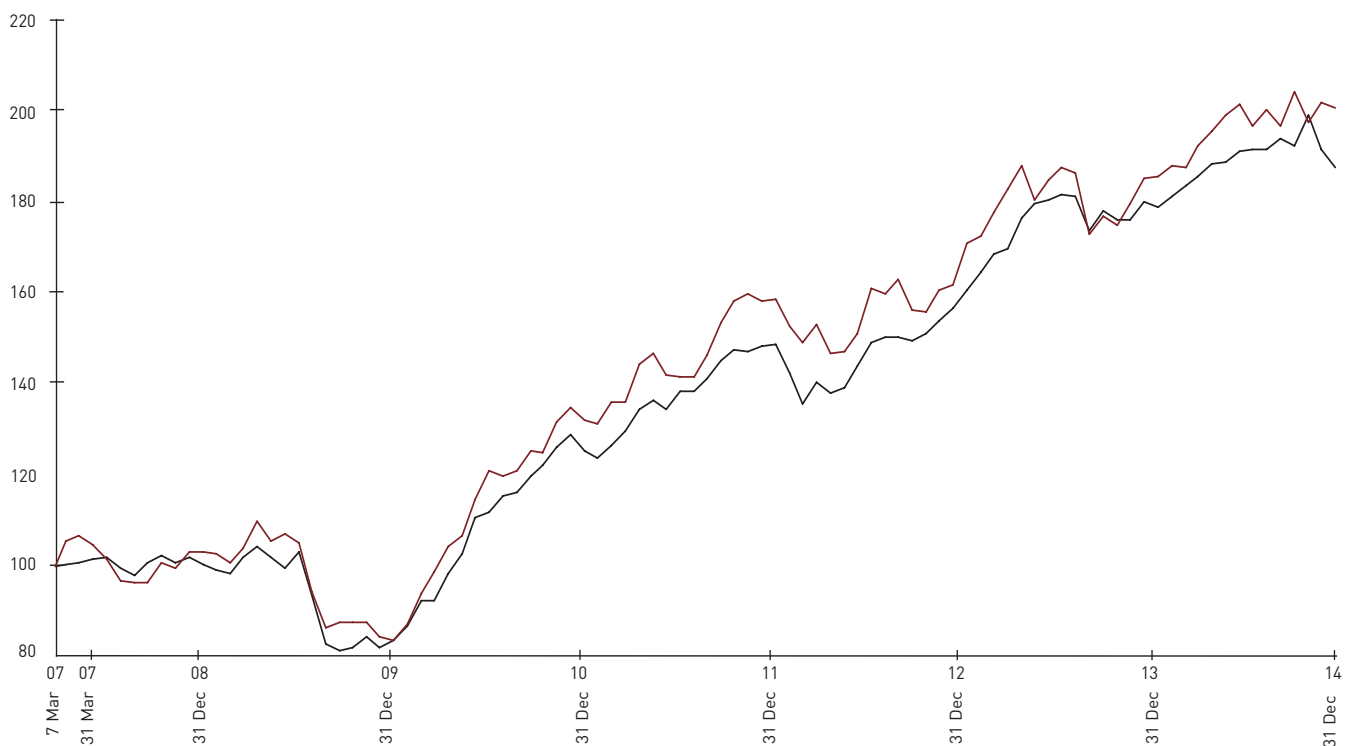
Dividends Declared in Respect of Each Financial Year



*2014/15 assumes that the third interim dividend in respect of the financial year ended 30 June 2015 remains in line with the second interim dividend paid for that year at 0.96 pence per share and that the fourth interim dividend is in line with the fourth interim dividend paid in respect of the financial year ended 30 July 2014, 1.45 pence per share.

Source: R&H Fund Services Limited

Net Asset Value Total Return and Share Price Total Return



- Share price total return (dividends reinvested)
- Net asset value total return (dividends reinvested)

(Index restated to 100 from 7 March 2007)

Source: R&H Fund Services Limited

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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Corporate Information

Financial Highlights

Total Return*	Six months to 31 December 2014	Six months to 31 December 2013		
Net asset value	-2.1%	+4.3%		
Ordinary share price	+2.1%	+8.6%		

Capital Values	31 December 2014	30 June 2014	% change	
Total assets less current liabilities (with the exception of the bank loan facility)	£194.4m	£197.2m	-1.4%	
Net asset value per ordinary share	58.77p	62.41p	-5.8%	
Share price (mid market)	64.13p	65.25p	-1.7%	

Revenue and Dividends	Six months to 31 December 2014	Six months to 31 December 2013	% change	
Revenue earnings per ordinary share	2.15p	2.36p	-8.9%	
Dividends per ordinary share	1.90p	1.84p	+3.3%	

Other Highlights	31 December 2014	30 June 2014		
Premium*	9.1%	4.6%		
Gearing*	106	110		

Dividend History	Rate	xd date	Record date	Payment date
Second interim 2015	0.96p	29 January 2015	30 January 2015	27 February 2015
First interim 2015	0.94p	30 October 2014	31 October 2014	28 November 2015
Total	1.90p			
Fourth interim 2014	1.45p	23 July 2014	25 July 2014	29 August 2014
Third interim 2014	0.92p	30 April 2014	2 May 2014	30 May 2014
Second interim 2014	0.92p	29 January 2014	31 January 2014	28 February 2014
First interim 2014	0.92p	30 October 2013	1 November 2013	29 November 2013
Total	4.21p			

* A glossary of the terms used can be found on page 15.

Chairman's Statement

Highlights

- Net asset value total return of -2.1% since 1 July 2014.
- Ordinary share price total return of +2.1% since 1 July 2014.
- Dividend yield of 6.7%, based on dividends at an annualised rate of 4.31 pence and a share price of 64.13 pence at 31 December 2014.
- Ordinary share price at a premium of 9.1% to net asset value at 31 December 2014.
- Prospectus relating to initial placing, offer for subscription and placing programme expected to be published at the beginning of March 2015.
- £6.7m raised since 31 December 2014 under the Placing Programme.

Investment and Share Price Performance

Our primary investment focus is to provide shareholders with a high dividend yield, and while the Company's net asset value decreased by 5.8% to 58.8 pence during the six months to 31 December 2014 the dividend increased by 3.3% as detailed below.

The share price decreased by 1.7% during the period, giving a share price total return of 2.1%. The share price stood at a premium of 9.1% to net asset value at 31 December.

Dividends

The Company declared one interim dividend of 0.94 pence in respect of the period, and one of 0.96 pence. The payment of 0.96 pence per share represented a 4.3% increase on the 0.92 pence per share paid in respect of the same period last year, and a 2.1% increase on the 0.94 pence per share first interim dividend paid in November 2014.

The Company has in recent years paid three interim dividends at the same rate and a larger fourth interim dividend. The gap between the size of the first three interim dividends and the fourth had become increasingly large, and the Board has concluded that it would be in shareholders' interests for the gap to be narrowed.

It is anticipated that the third interim dividend will be at least equal to the second interim dividend, and that the fourth interim dividend will be maintained at last year's level.

Based on an annualised rate of 4.31 pence and a share price of 61.8 pence at the time of writing, this represents a yield of 7.0. Since your Company relocated to Jersey in March 2007 the level of dividends paid has increased every year. This is illustrated on the inside front cover of this interim report.

Gearing

The Company replaced its existing £20m loan facility with a new £30m loan facility with Scotiabank in December. At an all-in rate of 1.42% the new facility is significantly cheaper than the one that it replaces and shareholders can look to benefit from this reduction in cost. £15m was drawn down at 31 December 2014 and the Company had effective gearing of 6%.

Rating and Placing Programme

The market continues to attach a premium rating to the shares of your Company. 13.9m shares were issued in November 2014 and at the Annual General Meeting in December shareholders approved a resolution granting authority to issue shares equivalent to 10 per cent of the Company's share capital. 11.25m shares were issued at the beginning of February, and the Directors anticipate issuing further shares during the year as part of the process of managing the premium to net asset value at which your Company's shares trade.

As part of this process, the Directors expect to publish a prospectus relating to an initial placing, offer for subscription and placing programme at the beginning of March 2015.

As well as a modest increase in net asset value, continuing shareholders can look to benefit from a lower total expense ratio and greater liquidity in the Company's shares.

Issues of shares pursuant to the prospectus will be subject to Shareholders approving an extension of the Board's authority to issue new Ordinary Shares equivalent to 50 per cent of the Company's current issue share capital on a non-pre-emptive basis. A circular convening an extraordinary general meeting of the Company for 27 March 2015 at which the requisite approval will be sought will be posted to Shareholders in early March.

Management Arrangements and Proposed Change of Name

The costs of operating a fund management company have increased considerably over recent years, the regulatory burden having significantly increased. The Investment Manager has agreed to absorb the costs of acting as our Alternative Investment Fund Manager ("AIFM") within the existing fee arrangements, but the Board felt that the growing size of your Company should be reflected in the fee arrangements. The current management fee of 0.8% per annum on total assets will now reduce to 0.7% per annum on total assets in excess of £200m. The Company's total assets are currently £198.6m. Shareholders will benefit from this reduction in ongoing charges as the Company grows.

The Directors believe that shareholders would benefit from the clearer association of the Company with the investment manager, and a change in the Company's name to "CQS New City High Yield Fund Limited" will be proposed to shareholders at the Extraordinary General Meeting of the Company expected to be convened in connection with the initial placing, offer for subscription and placing programme referred to above.

Outlook

Our portfolio manager, Ian Francis, continues to find value in the bond markets and is placing a particular emphasis on providing additional protection by increasing diversity. Whether it is threat of "Grexit", the renewal of the Cold War, or simply wildly unpredictable oil prices the case for diversity has rarely seemed stronger and our increasing size aids this process. That said, the United States notwithstanding, there would appear to be no rush to tighten global monetary policy and your Company, and its shareholders, remain well positioned to benefit from the prevailing market trends.

James G West
Chairman

24 February 2015

Investment Manager's Review

World markets have been very complex for the last six months: in the US the tapering of Quantitative Easing ("QE") on the back of the recovering US economy, led to the strengthening of the US\$ on a fairly linear basis against all other major currencies, an example of which would be Sterling where it opened July at \$1.7150/£ and closed the year at \$1.5577/£.

A further effect of the strong US\$ was the weakness across bulk commodities and the spectacular fall of Oil from \$112.29/bbl to \$57.33 at the end of December also in a very linear fashion.

Unlike the US, Europe has had a far harder time. Over the summer months of 2014, Banco Espirito Santo defaulted and evidence emerged of economic stagnation in the Eurozone. This encouraged Mario Draghi to use his speech at Jackson Hole in August to reiterate "Use of all instruments needed" hinting at the possible implementation of QE, this rhetoric proved effective in the short term as European markets rallied strongly from that moment.

September and media and market focus was on the Scottish referendum, uncertainty in front of it, brief euphoria after it followed by a swift reality check of fundamentals and the forthcoming UK general election in May 2015.

Come October Europe's recession worries were again front and centre. The tragic West African Ebola outbreak was spooking the global travel and entertainment sectors. No new news specific to the high yield markets, but this did not prevent them weakening on previously ignored market worries. Specific to the UK in the second half of the month sentiment improved when UK growth was reported easing from 0.9% in quarter 2 to 0.7% in quarter 3, along with a speech made by Jon Cunliffe the Bank of England Deputy Chief reinforcing the view that interest rates in the UK will remain at the current low level until at least the middle of 2015.

November and yet more negative news in the Eurozone, with inflation figures at 0.4% pa against the ECB medium term target of just under 2% pa leaving many investors worried that Europe was heading for a Japanese style lost decade of deflation and recession, as a counter to this Mario Draghi gave yet another speech very reminiscent of his "do whatever it takes" back in 2012. Ramping up the pressure on the Germans to accept full blown QE to restart the Eurozone inflation engine.... We now know the answer to that question, the problem was too drastic even for Germany's fear of inflation to stand in the way.

December is usually a quiet month with low volumes, not this year, the previously mentioned US\$ strength Oil weakness produced a major wobble. The FTSE 100 fell 9% early on in the month before rallying to being only 2.5% down by the month end. And in the bond space, the iTraxx Xover 5yr generic widened drastically from 305.5bp to 401.403bp mid-month before recovering to 345.805bp at month end.

For the Company, the main focus was and continues to be diversity and income generation, new holdings have been taken in PizzaExpress Financing 1 8 5/8% 2022, Virgin Money 7 7/8% perpetual, Barclays 7% 2019, Personalhuset FRN 2019, Johnston Press 8 5/8% 2019, adding to equity in Greencoat UK Wind in placings by the corporate, the same with Standard Life Property Income and Newriver Retail. We reduced some of the exposure to Oil by selling Chloe Marine 12% 2016 above par in October along with selling part of Seatrucks 9% 2018 below par.

We also sold Abbey 10 1/16% well above par and had the Healthscope bonds called by the company along with the Diamorph 12% bonds 2017. We continue to look for and find opportunities to increase diversity and provide income.

Ian Francis

New City Investment Managers

24 February 2015

Classification of Investment Portfolio

By Currency	As at	As at	As at
	31 December 2014	31 December 2013	30 June 2014
	Total investments	Total investments	Total investments
	%	%	%
Sterling	70	62	63
US Dollar	16	19	19
Euro	6	6	7
Australian Dollar	4	6	5
Swedish Krona	2	4	4
Canadian Dollar	1	1	1
Norwegian Krone	1	2	1
Total investments	100	100	100

By Asset Class	As at	As at	As at
	31 December 2014	31 December 2013	30 June 2014
	Total investments	Total investments	Total investments
	%	%	%
Bonds	74	75	76
Preference shares	12	12	11
Equity shares	11	6	8
Convertibles	3	7	5
Total investments	100	100	100

By Quotation	As at	As at	As at
	31 December 2014	31 December 2013	30 June 2014
	Total investments	Total investments	Total investments
	%	%	%
Listed/Quoted on a recognised investment exchange	100	98	100
Unquoted	–	2	–
Total investments	100	100	100

Top Ten Largest Holdings

Company	Valuation	Purchases	Sales	(Depreciation)/ appreciation	Valuation
	30 June 2014				31 December 2014
	£'000	£'000	£'000	£'000	£'000
Phoenix Life FRN 7.25% 25/03/2021	6,941	–	–	57	6,998
Brit Insurance 6.625% 09/12/2030	6,188	–	–	(3)	6,185
Galaxy Finco 7.875% 15/11/2021	4,607	1,061	–	(460)	5,208
British Airways Finance 6.75% 12/05/2014	5,226	–	–	(216)	5,010
Balfour Beatty 10.75% Pref	4,563	491	–	(72)	4,982
REA Finance 9.5% 31/12/2017	4,877	–	–	–	4,877
Antares Energy 10% 30/10/2023	5,275	–	–	(526)	4,749
General Accident 8.875% Pref	4,556	–	–	(51)	4,505
Matalan Finance 8.875% 01/06/2020	3,995	557	–	(291)	4,261
Newriver Retail	3,581	687	–	(115)	4,153
		2,796	–	(1,677)	50,928

At 31 December 2014 these investments totalled £50,928,000 or 27.3% of the investment portfolio.

Investment Portfolio

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as at 31 December 2014

Company	Sector	Valuation £'000	Total Investments %
Phoenix Life FRN 7.25% 25/03/2021	Insurance	6,998	3.8
Brit Insurance 6.625% 09/12/2030	Insurance	6,185	3.3
Galaxy Finco 7.875% 15/11/2021	Financial	5,208	2.8
British Airways Finance 6.75% 12/05/2014	Transport	5,010	2.7
Balfour Beatty 10.75% Pref	Construction	4,982	2.7
REA Finance 9.5% 31/12/2017	Food Products	4,877	2.6
Antares Energy 10% 30/10/2023	Oil & Gas	4,749	2.5
General Accident 8.875% Pref	Financial	4,505	2.4
Matalan Finance 8.875% 01/06/2020	Retail	4,261	2.3
Newriver Retail	Property	4,153	2.2
Top ten investments		50,928	27.3
Moto Finance 10.25% 15/03/2017	Retail	4,068	2.2
Barclays Bank 7% 15/09/2019	Financial	3,931	2.1
Investec Bank 9.625% 17/02/2022	Financial	3,536	1.9
Lloyds Banking Group 7.625% 27/06/2023	Financial	3,450	1.9
Cable & Wireless 8.625% 25/03/2019	Telecommunications	3,249	1.7
House of Fraser 8.875% 15/08/2018	Retail	3,156	1.7
Unique Pub Finance 7.395% 28/03/2024	Restaurants & Bars	3,150	1.7
Iona Energy 9.5% 27/09/2018	Oil & Gas	3,033	1.7
Twinkle Pizza 8.625% 01/08/2022	Restaurants & Bars	2,859	1.5
Lloyds Banking Group 7.875% 27/06/2029	Financial	2,807	1.5
Top twenty investments		84,167	45.2
Bristol & West 8.125% Pref	Financial	2,688	1.4
Europcar Groupe 9.375% 15/04/2018	Transport	2,584	1.4
REA Holding 9% Pref	Food Products	2,578	1.4
Standard Life Investment Property Income Trust	Property	2,555	1.4
National Westminster 11.5% 12/49 PERP	Financial	2,492	1.4
Arqiva Broadcast Finance 9.5% 31/03/2020	Telecommunications	2,458	1.3
HDL Debenture 10.375% 31/07/2023	Property	2,313	1.2
Falcon Germany 9% 15/07/2020	Automobiles & Parts	2,309	1.2
Tizir 9% 28/09/2017	Mining	2,282	1.2
Raven Russia 12% CP	Real Estate	2,264	1.2
Top thirty investments		108,690	58.3
Trafigura Beheer 7.625% 29/10/2049	Financial	2,201	1.2
AA Bond Co 9.5% 31/07/2019	Insurance	2,195	1.2
Enterprise Inns 6.875% 09/05/2025	Leisure	2,195	1.2
Thames Water Kemble 7.75% 01/04/2019	Oil & Gas	2,172	1.2
Elematic Oy 10% 30/05/2018	Machinery Manufacturing	2,062	1.1
Ecclesiastical Insurance 8.625% Pref	Insurance	1,992	1.1
Target Healthcare REIT	Healthcare	1,980	1.0
Greencoat UK Wind	Clean Energy	1,926	1.0
Ocean Rig 7.25% 01/04/2019	Oil & Gas	1,887	1.0
Skipton Building Society 6.75% 30/05/2022	Financial	1,842	1.0
Top forty investments		129,142	69.3

Company	Sector	Valuation £'000	Total Investments %
Nextenergy Solar	Clean Energy	1,811	1.0
Oro Negro Drilling 7.5% 24/01/2019	Oil & Gas	1,797	1.0
Pearl Group Holdings FRN 25/04/2016	Insurance	1,772	1.0
Rothschild Cont Fin 9% 15/02/2024 PERP	Financial	1,702	0.9
Virgin Money 7.875% 31/07/2019	Financial	1,532	0.8
SAS AB	Transport	1,525	0.8
Oceanteam Shipping FRN 24/10/2017	Oil & Gas	1,440	0.8
HBOS Capital 6.85% 23/03/2015 PERP	Financial	1,420	0.8
Santander Finance 10.375% Pref	Financial	1,399	0.7
Johnston Press 8.625% 01/06/2019	Media	1,397	0.7
Top fifty investments		144,937	77.8
Dresdner Funding Trust 8.151% 30/06/2031	Financial	1,332	0.7
Global Ship Lease 10% 01/04/2019	Transport	1,293	0.7
West Air Europe 8% 08/05/2018	Transport	1,253	0.7
Puma Intl 6.75% 01/02/2014	Oil & Gas	1,242	0.7
Arrow Global Finance 7.875% 01/03/2020	Financial	1,230	0.7
Diamorph 7% 05/09/2019	Chemicals	1,211	0.6
Principality Building 7% 01/06/2020	Financial	1,209	0.6
Clerical Medical Fin FRN 7.375% 05/11/2019	Healthcare	1,172	0.6
Crown Holdings 8.6067% FRN 14/09/2072	Casinos & Gaming	1,111	0.6
Southern Water 8.5% 15/04/2019	Utilities	1,105	0.6
Top sixty investments		157,095	84.3
John Laing Environmental Assets Group	Clean Energy	1,033	0.6
Welltec 8% 01/02/2019	Engineering	1,024	0.6
Louis Dreyfus 8.25% 29/12/2049	Commodities	1,019	0.6
Bluewater Holding 10% 10/12/2019	Oil & Gas	1,018	0.5
Bibby 7.5% 15/06/2021	Financial	980	0.5
Onesavings Bank 6.591% 07/03/2016	Financial	979	0.5
Santa Maria Offshore 8.875% 03/07/2018	Oil & Gas	976	0.5
Deutsche Bank 7.125% 30/04/2026	Financial	952	0.5
Great Western Minerals 8% 06/04/2017	Mining	948	0.5
Sea Trucks Group 9% 26/03/2018	Shipping	912	0.5
Top seventy investments		166,936	89.6
Other investments (69)		19,405	10.4
Total investments		186,341	100.0

Notes:

CCP – Convertible Cumulative Preference Shares CP – Cumulative Preference Shares
CV – Convertible Bond CULS – Convertible Unsecured Loan Stock
FRN – Floating Rate Note CLN – Convertible Loan Note

Condensed Income Statement

8 For the six months ended 31 December 2014

Notes	Six months ended 31 December 2014 (unaudited)			Six months ended 31 December 2013 (unaudited)			Year ended 30 June 2014 (audited)			
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
Capital gains on investments										
(Losses)/gains on investments	3	-	(10,420)	(10,420)	-	862	862	-	2,948	2,948
Exchange gains/(losses)		-	177	177	-	14	14	-	57	57
Revenue										
Income	4	7,642	-	7,642	6,697	-	6,697	14,269	-	14,269
Total income		7,642	(10,243)	(2,601)	6,697	876	7,573	14,269	3,005	17,274
Expenses										
Investment management fee	5	(586)	(195)	(781)	(484)	(161)	(645)	(1,037)	(346)	(1,383)
Other expenses		(359)	(86)	(445)	(259)	-	(259)	(567)	(90)	(657)
Total expenses		(945)	(281)	(1,226)	(743)	(161)	(904)	(1,604)	(436)	(2,040)
Profit before finance costs and taxation		6,697	(10,524)	(3,827)	5,954	715	6,669	12,665	2,569	15,234
Finance costs										
Interest payable and similar charges		(111)	(37)	(148)	(109)	(36)	(145)	(211)	(70)	(281)
Profit before taxation		6,586	(10,561)	(3,975)	5,845	679	6,524	12,454	2,499	14,953
Irrecoverable withholding tax		(119)	-	(119)	(85)	-	(85)	(182)	-	(182)
Profit after taxation		6,467	(10,561)	(4,094)	5,760	679	6,439	12,272	2,499	14,771
Earnings per ordinary share (pence)	6	2.15	(3.52)	(1.37)	2.36	0.28	2.64	4.76	0.97	5.73

The total column of this statement represents the Company's Income Statement, 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.

Condensed Balance Sheet

As at 31 December 2014

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Notes	As at 31 December 2014 (unaudited) £'000	As at 31 December 2013 (unaudited) £'000	As at 30 June 2014 (audited) £'000
Non-current assets			
Investments held at fair value	186,341	156,956	194,441
Current assets			
Other receivables	3,511	3,183	5,027
Cash at bank	4,763	1,859	–
	8,274	5,042	5,027
Total assets	194,615	161,998	199,468
Current liabilities			
Bank loan facility	(15,000)	(13,184)	(15,360)
Other payables	(198)	(192)	(2,247)
Total liabilities	(15,198)	(13,376)	(17,607)
Net assets	179,417	148,622	181,861
Stated capital and reserves			
Stated capital account	120,252	81,890	111,638
Special distributable reserve	50,385	50,385	50,385
Capital reserve	(4,991)	3,750	5,570
Revenue reserve	13,771	12,597	14,268
Equity shareholders' funds	179,417	148,622	181,861
Net asset value per ordinary share (pence)	58.77	60.85	62.41

Approved by the Board of Directors on 24 February 2015 and signed on its behalf by:

J G West
Director

Condensed Statement of Changes in Equity

For the six months ended 31 December 2014 (unaudited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £000
At 1 July 2014		111,638	50,385	5,570	14,268	181,861
Total comprehensive income for the period:						
Profit for the period		-	-	(10,561)	6,467	(4,094)
Transactions with owners recognised directly in equity:						
Dividends paid	2	-	-	-	(6,964)	(6,964)
Issue of shares		8,614	-	-	-	8,614
At 31 December 2014		120,252	50,385	(4,991)	13,771	179,417

For the six months ended 31 December 2013 (unaudited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £000
At 1 July 2013		81,890	50,385	3,071	12,503	147,849
Total comprehensive income for the period:						
Profit for the period		-	-	679	5,760	6,439
Transactions with owners recognised directly in equity:						
Dividends paid	2	-	-	-	(5,666)	(5,666)
At 31 December 2013		81,890	50,385	3,750	12,597	148,622

For the year ended 30 June 2014 (audited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £000
At 1 July 2013		81,890	50,385	3,071	12,503	147,849
Total comprehensive income for the year:						
Profit for the year		-	-	2,499	12,272	14,771
Transactions with owners recognised directly in equity:						
Dividends paid	2	-	-	-	(10,507)	(10,507)
Issue of shares		29,748	-	-	-	29,748
At 30 June 2014		111,638	50,385	5,570	14,268	181,861

Condensed Cash Flow Statement

For the six months ended 31 December 2014

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	Six months ended 31 December 2014 (unaudited) £'000	Six months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Operating activities			
(Loss)/profit before finance costs and taxation	(3,827)	6,669	15,234
(Losses)/gains on investments	10,420	(862)	(2,948)
Exchange gains	(177)	(14)	(57)
Decrease in other receivables	109	735	297
(Loss)/profit in other payables	(5)	2	18
Net cash inflow from operating activities before interest and taxation	6,520	6,530	12,544
Interest paid	(158)	(142)	(274)
Irrecoverable withholding tax paid	(119)	(85)	(182)
Net cash inflow from operating activities	6,243	6,303	12,088
Investing activities			
Purchases of investments	(31,064)	(36,114)	(102,911)
Sales of investments	28,329	35,575	67,390
Net cash outflow from investing activities	(2,735)	(539)	(35,521)
Financing activities			
Equity dividends paid	(6,964)	(5,666)	(10,507)
(Repayment)/drawdown of bank loan facility	(360)	970	3,146
Issue of ordinary shares	8,614	-	29,748
Net cash inflow/(outflow) from financing	1,290	(4,696)	22,387
Increase/(decrease) in cash and cash equivalents	4,798	1,068	(1,046)
Net debt at the start of the period	(15,572)	(11,437)	(11,437)
Repayment/(drawdown) of bank loan facility	360	(970)	(3,146)
Exchange gains	177	14	57
Net debt at the end of the period[†]	(10,237)	(11,325)	(15,572)

[†] Net debt includes cash held at bank and bank loan facility.

Notes to the Accounts

- The unaudited interim results which cover the six month period to 31 December 2014 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", and the accounting policies as set out in the statutory accounts of the Company for the year to 30 June 2014.

2. Dividends

Amounts recognised as distributions to equity holders in the period.

	Six months ended 31 December 2014		Six months ended 31 December 2013		Year ended 30 June 2014	
	£'000	Rate (pence)	£'000	Rate (pence)	£'000	Rate (pence)
In respect of the previous period:						
Fourth interim dividend	4,225	1.45	3,419	1.40	3,419	1.40
In respect of the period under review:						
First interim dividend	2,739	0.94	2,247	0.92	2,247	0.92
Second interim dividend	-	-	-	-	2,247	0.92
Third interim dividend	-	-	-	-	2,594	0.92
	6,964	2.39	5,666	2.32	10,507	4.16

A second interim dividend in respect of the year ended 30 June 2015 of 0.96p per ordinary share will be paid on 27 February 2015 to shareholders on the register on 30 January 2015. In accordance with International Financial Reporting Standards ("IFRS") this dividend has not been included as a liability in these accounts.

- Included within losses on investments for the period ended 31 December 2014 are realised losses of £1,052,000 and unrealised losses of £9,368,000.

4. Income

The breakdown of income for the period was as follows:

	Six months ended 31 December 2014		Six months ended 31 December 2013		Year ended 30 June 2014	
	£'000	£'000	£'000	£'000	£'000	£'000
Income from investments:						
Dividend income	414		167		379	
Preference share income	954		667		1,547	
Interest on fixed interest securities	6,274		5,863		12,343	
Total income	7,642		6,697		14,269	

5. Investment management fee

The Company's investment manager is CQS Cayman Limited Partnership ("CQS") which has delegated this function to its wholly owned subsidiary New City Investment Managers. CQS receive a basic monthly fee at the rate of 0.8 per cent per annum of the Company's total assets (less current liabilities other than bank borrowings), payable in arrears up to and including £200,000,000 and 0.7 per cent per annum above this. During the period investment management fees of £781,000 were incurred, of which £130,000 was payable at the period end.

6. Earnings per ordinary share

The revenue earnings per ordinary share is based on profit after taxation of £6,467,000 (31 December 2013: £5,760,000 and 30 June 2014: £12,272,000) and on a weighted average of 300,388,821 (31 December 2013: 244,239,339 and 30 June 2014: 257,812,038) ordinary shares in issue throughout the period.

The capital return per ordinary share is based on a net capital loss of £10,561,000 (31 December 2013: a net capital gain of £679,000 and 30 June 2014: a net capital gain of £2,499,000) and on a weighted average of 300,388,821 (31 December 2013: 244,239,339 and 30 June 2014: 257,812,038) ordinary shares in issue throughout the period.

7. Net asset value per ordinary share

The net asset value per ordinary share is based on net assets at the period end of £179,417,000 (31 December 2013: £148,622,000 and 30 June 2014: £181,861,000) and on 305,299,173 (31 December 2013: 244,239,339 and 30 June 2014: 291,405,541) ordinary shares, being the number of ordinary shares in issue at the period end.

8. Related parties

Mr G Ross is a director of the Company Secretary and UK Administrator, R&H Fund Services (Jersey) Limited and R&H Fund Services Limited, which both receive fees from the Company. During the period fees of £93,000 were incurred (excluding Director's fees to Mr G Ross).

9. Post Balance Sheet Events

On 6 February 2015 the Company allotted 11,250,000 ordinary shares of no par value for cash at 60.50p per share.

10. Financial information

These are not statutory accounts in terms of Section 434 of the Companies Act 2006 and have not been audited or reviewed by the Company's auditors. The information for the year ended 30 June 2014 has been extracted from the latest published financial statements which received an unqualified audit report and have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 June 2014 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

R&H Fund Services (Jersey) Limited
Secretary

24 February 2015

Directors' Statements

Directors' Statement of Principal Risks and Uncertainties

The Company's assets consist principally of listed fixed interest securities and its principal risks are therefore market related. The Company is also exposed to currency risk in respect of the markets in which it invests. Other key risks faced by the Company relate to investment and strategy, market, financial, earnings and dividend, operational and regulatory matters. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal risks and risk management' within the Directors' Report and Business Review contained within the Company's annual report and accounts for the year ended 30 June 2014. The Company's principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the rest of the Company's financial year.

Directors' Responsibility Statement in Respect of the Interim Report

We confirm that to the best of our knowledge:

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

Signed on behalf of the Board

J G West
Chairman

24 February 2015

Glossary of Terms and Definitions

Gearing	Total assets (as below) less all cash divided by shareholders' funds.
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Discount/Premium	The amount by which the market price per share of an investment trust is lower or higher than the net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose included 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.
Ongoing Charges Ratio	A measure of all operating costs incurred in the reporting period, calculated as a percentage of average net assets in that year. Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments, interest costs, taxation and the costs of buying back or issuing ordinary shares.
Price/Earnings Ratio	<p>The ratio is calculated by dividing the middle-market price per share by the earnings per share.</p> <p>The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.</p>
Prior Charges	The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Redemption Yield	The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation.
Total Assets	Total assets less current liabilities (excluding prior charges as defined above).
Total Return	Share price total return involves reinvesting the net dividend in the month that the share price goes up. The NAV total return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

Corporate Information

Registered Number

95691

Registered Office

New City High Yield Fund Limited
Ordnance House, 31 Pier Road
St. Helier, Jersey JE4 8PW
Channel Islands

Directors

James G West (Chairman)
Gavin D P Breeze (Audit Committee Chairman)
Allister F de L Carey
Adrian J R Collins
Graeme D Ross

Investment Manager

New City Investment Managers
CQS Cayman Limited Partnership
5th Floor
33 Grosvenor Place
London SW1X 7HY

AIFM

CQS Asset Management Limited
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33 Grosvenor Place
London SW1X 7HY

Company Secretary and Administrator

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Ordnance House, 31 Pier Road
St. Helier, Jersey JE4 8PW
Channel Islands
Tel: 01534 825200

UK Administrator

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15-19 York Place
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Tel: 0131 524 6140

Registrars

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Tel: 01534 281800

Financial Adviser and Corporate Broker

Cantor Fitzgerald Europe
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Auditor

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Bankers, Custodian Bankers and Depository

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Jersey Lawyers to the Company

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Channel Islands

UK Solicitors to the Company

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One London Wall,
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Website

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

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