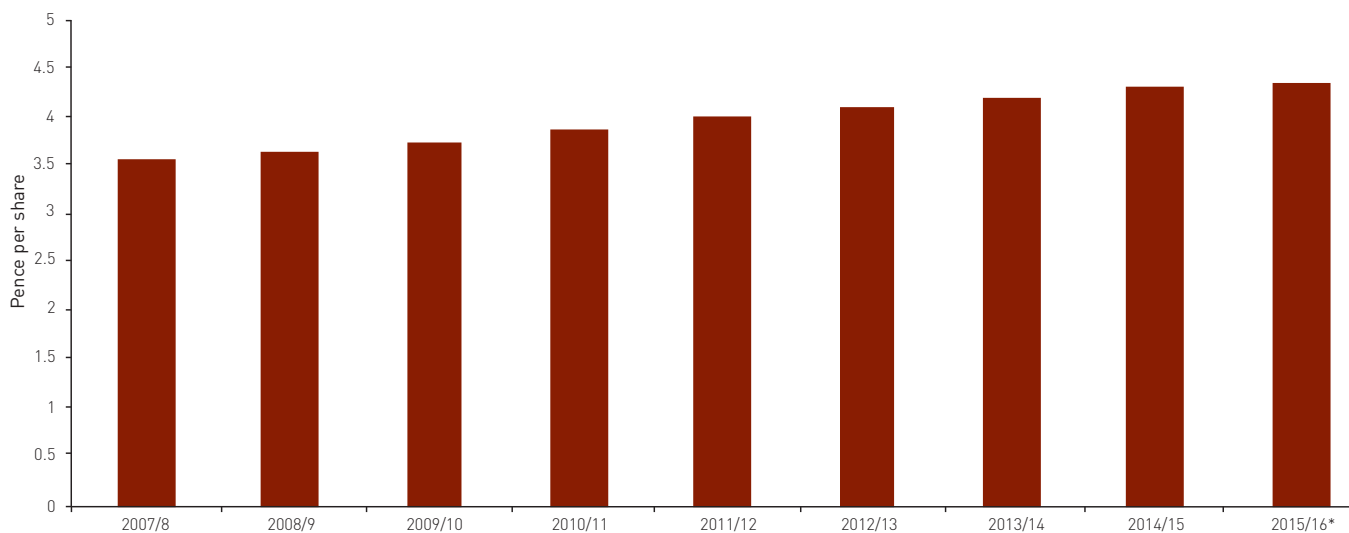

CQS NEW CITY
HIGH YIELD FUND
LIMITED

INTERIM REPORT
31 DECEMBER 2015

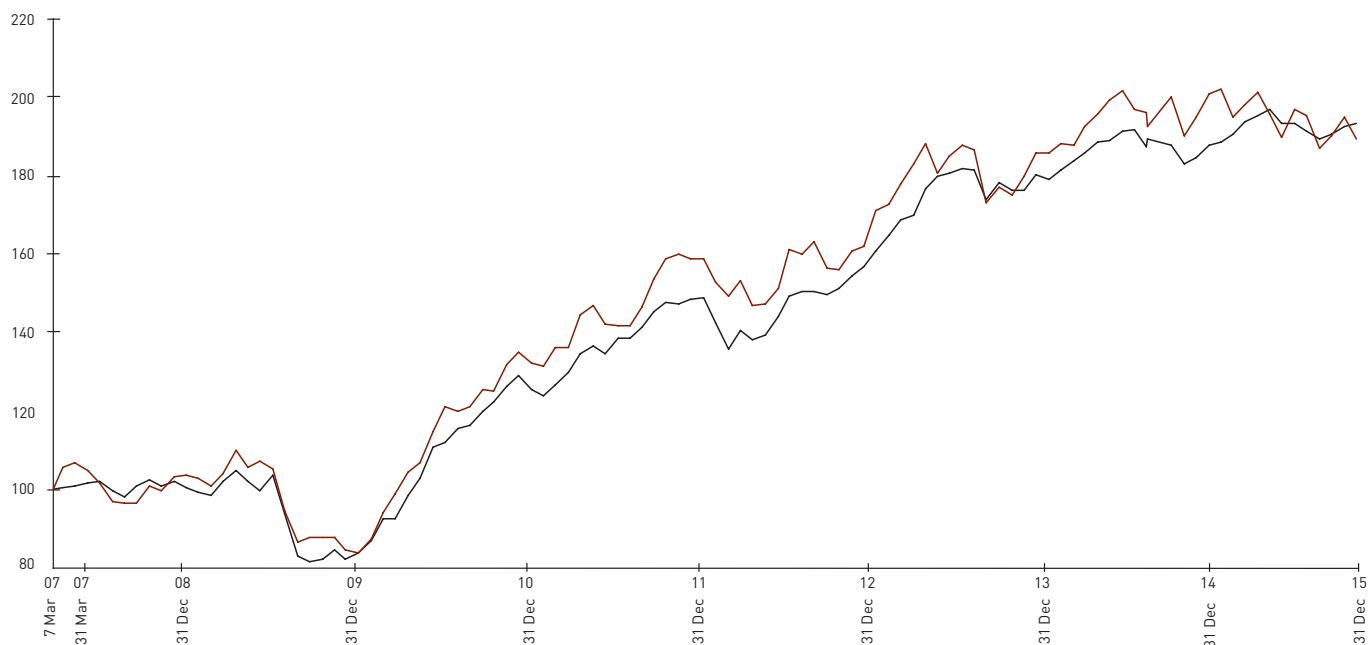
Dividends Declared in Respect of Each Financial Year



*2015/16 assumes that the third interim dividend in respect of the financial year ended 30 June 2016 remains in line with the second interim dividend paid for that year at 0.97 pence per share and that the fourth interim dividend is in line with the fourth interim dividend paid in respect of the financial year ended 30 June 2015 of 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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Financial Highlights

Total Return*	Six months to 31 December 2015	Six months to 31 December 2014
Net asset value	-0.1%	-2.1%
Ordinary share price	-0.3%	+2.1%

Capital Values	31 December 2015	30 June 2015	% change
Total assets less current liabilities (with the exception of the bank loan facility)	£228.0m	£231.7m	-1.6%
Net asset value per ordinary share	56.86p	58.63p	-3.0%
Share price (mid market)	56.25p	58.88p	-4.5%

Revenue and Dividends	Six months to 31 December 2015	Six months to 31 December 2014	% change
Revenue earnings per ordinary share	2.38p	2.15p	10.7%
Dividends per ordinary share	1.94p	1.90p	2.1%

Other Highlights	31 December 2015	30 June 2015
(Discount)/Premium*	(1.1%)	0.4%
Gearing*	110	111

Dividend History	Rate	xd date	Record date	Payment date
First interim 2016	0.97p	29 October 2015	30 October 2015	27 November 2015
Second interim 2016	0.97p	28 January 2016	29 January 2016	29 February 2016
Total	1.94p			
First interim 2015	0.96p	30 October 2014	31 October 2014	28 November 2015
Second interim 2015	0.96p	30 January 2015	29 January 2015	27 February 2015
Third interim 2015	0.96p	30 April 2015	1 May 2015	29 May 2015
Fourth interim 2015	1.45p	30 July 2015	31 July 2015	28 August 2015
Total	4.31p			

* A glossary of the terms used can be found on page 16.

Chairman's Statement

Highlights for the six month period

- Net asset value total return of -0.1%.
- Ordinary share price total return of -0.3%.
- Dividend yield of 8.0%, based on dividends at an annualised rate of 4.34 pence and a share price of 54.25 pence at 7 March 2016.
- Ordinary share price at a premium of 0.4% to net asset value at 7 March 2016.
- £3.4m of equity raised.

Investment and Share Price Performance

Your Company's net asset value fell by 3.0% to 56.9 pence per share during the six months ended 31 December 2015. When this capital measure is adjusted for the payment of dividends totalling 1.94 pence per share for the period the net asset value total return was essentially flat at -0.1%.

The share price total return for the same period was substantially the same at -0.3%, the small premium to net asset value at which your Company's shares traded at 30 June 2015 becoming a small discount at 31 December 2015.

Earnings and Dividends

The Company declared two dividends of 0.97 pence in respect of the period, an increase of 0.1% on those declared in respect of the same period last year. Based on an annualised rate of 4.34 pence and a share price of 54.25 pence at the time of writing, this represents a yield of 8.0%.

Gearing

The Company renewed its existing £30m loan facility with Scotiabank in December 2015 at a current all-in rate of 1.25%. The new facility is on more favourable terms than the one that it replaced. £25m was drawn down at 31 December 2015 and the Company had an effective gearing ratio of 10%.

Rating and Fund Raising

The difficult and volatile markets that have characterised recent months have seen the premium at which your Company's shares have been accustomed to trade over recent years eroded, with, indeed, a small discount to net asset value being seen for short periods.

A significant part of the authority granted by shareholders to issue shares in March 2015 remains unused, and in order to provide the Company with flexibility to raise additional capital in due course when more normal market conditions return, the Company has announced a proposal to issue new ordinary shares and repurchase them into treasury.

Board

I am delighted to welcome Wendy Dorman, who joined us on 2 March 2016, to the Board. Wendy is a Chartered Accountant and has over twenty years' experience within the financial services industry, both in London and in Jersey, and further strengthens the Board's credentials. Wendy replaced Allister Carey, a founder Director, who retired on 2 March 2016 having served the Company since its inception in 2007. Allister contributed substantially to the successful evolution of the Company throughout his time in office, and I would like to thank him on behalf of shareholders and the Board for all his efforts.

Outlook

It has been a challenging six months, as our portfolio manager Ian Francis reports. We have, however, benefited from our increased size and our portfolio diversity. We remain well positioned to take advantage of the opportunities that short term disruption offers those with an eye to the longer term.

James G West
Chairman

8 March 2016

4 Investment Manager's Review

The tone for the period was set early on in July with the Chinese market falling 14.7% in short order despite various measures employed by the government to turn the tide. One of the most noticeable knock on effects was the weakness in commodity prices globally. In August the Peoples Bank of China cut rates for the fifth time in eight months by 26bp to 4.6% trying to avoid a crash in asset prices. We noted at the time that the success of this action was doubtful. The volatility and weakness continued into September with the contagion putting all Asian markets into a spin and most of them hitting a 3 ½ year low.

Away from the issues being experienced in China, the USA was faring a lot better with their Q2 GDP figure improving and Q1 being revised upwards. Adding this to the comments coming out of the Federal Reserve Bank that the economy was "expanding moderately" encouraged many commentators to forecast a September rate rise, which subsequently did not happen due to the aforementioned chaos in China and other Asian markets. With core inflation figures increasing in October, the Federal Reserve duly obliged at the December meeting and the markets took this news as a vote of confidence in the state of the US economy, further supported by the US employment data showing a fall in unemployment to 5%, the lowest level in seven and a half years, with the economy growing at a very solid 2.1%.

Over on this side of the Atlantic, Europe started the period with a large sigh of relief with the thirty seconds to midnight deal keeping Greece within the Euro, evidenced by the 4% rally in European equity markets and recovery in peripheral government bond markets. Europe spent most of the period trying to kick-start the inflation engine, with Mario Draghi hinting at the extension of QE in terms of size, composition and duration. By November some evidence of this starting to work albeit in a small way with Composite PMI up 50bp to 54.4 which would imply GDP growth in Q4 of 0.4%, and German GDP coming in at 0.3% being the best level since early summer 2014.

Come the global market fallout in August, the UK was not immune with the FTSE 100 falling by 13.5% at one point before ending down 7.5% on the month. In October the UK had a further wobble with the economy deflating by 0.1% in both CPI and RPI series. We did get some positive news in the month in the form of the fall of the unemployment figure to just 5.4% which was a seven year low, but this was soon forgotten with a lacklustre GDP figure coming in at 0.5% which we noted at the time would probably put us some 12-15 months behind the USA when it came to increasing interest rates. This was further supported by downward revised figures coming out of the Office for National Statistics for both Q2 growth down to 0.5% from 0.7% and annual growth to 2.1% from 2.3% on the back of sluggish performance from the service sector.

Calendar year 2016 looks to be a volatile and stressful year ahead with the continuation of the factors affecting the last six month period at least continuing and more likely increasing. This will provide the Company with investment opportunities.

For the Company's portfolio we continued to take profits on Phoenix 7 ¼%, General Accident 8 7/8% preferred and British Airways 6 ¾% preferred with the proceeds being recycled into Perform Group 8.5% 2020 and Old Mutual 7.875% 2025. We had five bonds called during the period including Europcar 9.375% 2018, AA 9.5% 2019 and House of Fraser 8 7/8% 2018, the proceeds were mostly invested into IDH Finance 8 ½% 2019 (Europe's largest Dental chain), Co-op Bank 8 ½% 2025, Iceland 6 ¾% 2024 and Barclays 7.875% perpetual.

Ian Francis

New City Investment Managers

8 March 2016

Classification of Investment Portfolio

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By Currency	As at	As at	As at
	31 December 2015	31 December 2014	30 June 2015
	Total investments	Total investments	Total investments
	%	%	%
Sterling	75	70	72
US Dollar	13	16	14
Euro	6	6	8
Australian Dollar	3	4	3
Swedish Krona	2	2	2
Canadian Dollar	–	1	1
Norwegian Krone	1	1	–
Total investments	100	100	100

By Asset Class	As at	As at	As at
	31 December 2015	31 December 2014	30 June 2015
	Total investments	Total investments	Total investments
	%	%	%
Bonds	79	74	76
Preference shares	9	12	11
Equity shares	12	11	11
Convertibles	–	3	2
Total investments	100	100	100

By Quotation	As at	As at	As at
	31 December 2015	31 December 2014	30 June 2015
	Total investments	Total investments	Total investments
	%	%	%
Listed/Quoted on a recognised investment exchange	99.9	100.0	99.8
Unquoted	0.1	–	0.2
Total investments	100.0	100.0	100.0

Classification of Investment Portfolio by Sector

	Dec 2015	Dec 2014	Jun 2015
	% of total	% of total	% of total
	investments	investments	investments
Oil & Gas	7.0	10.9	8.2
Basic Materials	1.9	3.6	2.2
Industrials	6.4	10.7	9.4
Consumer Goods	10.9	12.7	13.2
Consumer Services	11.7	6.5	10.9
Healthcare	0.9	1.0	0.8
Telecommunications	4.0	3.1	3.3
Utilities	3.6	3.7	3.8
Financials	53.6	47.7	48.2
Technology	–	0.1	–
Total Investments	100.0	100.0	100.0

Top Ten Largest Holdings

as at 31 December 2015

	Valuation 30 June 2015 £'000	Purchases £'000	Sales £'000	(Depreciation)/ appreciation £'000	Valuation 31 December 2015 £'000
IDH Finance 8.5% 01/06/2019 The UK's largest dental chain with over 600 practices.	4,182	2,578	-	(63)	6,697
Galaxy Finco 7.875% 15/11/2021* A specialist provider of warranties for consumer electric products.	6,069	498	-	(4)	6,563
Brit Insurance 6.625% 09/12/2030 A global speciality insurer and re-insurer.	6,357	-	-	(66)	6,291
Newriver Retail A property investment company specialising in the UK retail sector.	4,477	862	-	447	5,786
Barclays Bank 7% 15/09/2019 A British multinational banking and financial services company.	5,755	-	-	28	5,783
Matalan Finance 8.875% 01/06/2020 Owner and operator of Matalan stores.	6,315	436	-	(1,628)	5,123
Co-operative Bank 8.5% 01/07/2025 Personal banking services in the UK.	-	5,204	-	(92)	5,112
Balfour Beatty 10.75% Pref Shares Multinational infrastructure group specialising in construction and support services.	5,157	-	-	(241)	4,916
Johnston Press 8.625% 01/06/2019 Multimedia company based in Edinburgh. Its flagship titles are the Scotsman and the Yorkshire Post.	3,622	1,867	-	(840)	4,649
Rea Finance 8.75% 31/08/2020 Cultivator of oil palms and production of crude palm oil and palm products.	-	4,529	-	45	4,574
	41,934	15,974	-	(2,414)	55,494

At 31 December 2015 these investments totalled £55,494,000 or 25.4% of the portfolio.

* Galaxy Finco is the holding company for Domestic and General Insurance

Investment Portfolio

as at 31 December 2015

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Company	Sector	Valuation £'000	Total Investments %
IDH Finance 8.5% 01/06/2019	Healthcare	6,697	3.1
Galaxy Finco 7.875% 15/11/2021	Insurance	6,563	3.0
Brit Insurance 6.625% 09/12/2030	Insurance	6,291	2.9
Newriver Retail	Real Estate	5,786	2.7
Barclays Bank 7% 15/09/2019	Banks	5,783	2.6
Matalan Finance 8.875% 01/06/2020	Retail	5,123	2.3
Co-operative Bank 8.5% 01/07/2025	Banks	5,112	2.3
Balfour Beatty 10.75% Pref	Construction	4,916	2.3
Johnston Press 8.625% 01/06/2019	Media	4,649	2.1
Rea Finance 8.75% 31/08/2020	Food Products	4,574	2.1
Top ten investments		55,494	25.4
Antares Energy 10% 30/10/2023	Oil & Gas	4,319	2.0
Lloyds Banking Group 7.625% 27/06/2023	Banks	4,145	1.9
PizzaExpress Financing 8.625% 01/08/2022	Restaurants & Bars	3,454	1.6
Standard Life Investment Property Income Trust	Real Estate	3,388	1.5
SAS AB Pref	Transport	3,345	1.5
Aldermore Group 11.875% 30/04/2020	Banks	3,330	1.5
Bibby 7.5% 15/06/2021	Oil and Gas services	3,276	1.5
Phoenix Life FRN 7.25% 25/03/2021 VAR	Insurance	3,239	1.5
Cable & Wireless 8.625% 25/03/2019	Telecommunications	3,192	1.5
Banco Popular Espanol 8.25% PERP 10/04/2020	Banks	3,182	1.5
Top twenty investments		90,364	41.4
Nextenergy Solar	Clean Energy	3,127	1.4
Unique Pub Finance 7.395% 28/03/2024	Restaurants & Bars	3,115	1.4
Altice 7.75% 15/05/2022	Telecommunications	3,054	1.4
Stretford Seventy Nine 6.75% 15/07/2024	Supermarkets and Pharmacies	3,054	1.4
Virgin Money 7.875% 31/07/2019	Banks	3,019	1.4
Lloyds Banking Group 7.875% 27/06/2029	Banks	2,932	1.4
British Airways Finance 6.75% 12/05/2014 Pref	Transport	2,908	1.3
Trafigura Beheer 7.625% 29/10/2049	Financial	2,884	1.3
REA Holding 9% Cum Pref	Food Products	2,842	1.3
National Westminster 11.5% 12/2049	Banks	2,772	1.3
Top thirty investments		120,071	55.0
Greencoat UK Wind	Clean Energy	2,768	1.2
Bristol & West 8.125% Pref	Financial	2,710	1.2
Tizir 9% 28/09/2017	Mining	2,569	1.2
Arrow Global Finance 7.875% 01/03/2020	Financial	2,501	1.1
Arqiva Broadcast Finance 9.5% 31/03/2020	Telecommunications	2,426	1.1
Raven Russia 12% Pref	Real Estate	2,478	1.1
General Accident 8.875% Cum Pref	Insurance	2,450	1.1
Investec Bank 9.625% 17/02/2022	Banks	2,379	1.1
Falcon Germany 9% 15/07/2020	Industrial	2,322	1.1
HDL Debenture 10.375% 31/07/2023	Real Estate	2,313	1.1
Top forty investments		144,987	66.3

Investment Portfolio

as at 31 December 2015

Company	Sector	Valuation £'000	Total Investments %
Det Norske 10.25% 27/05/2022	Oil & Gas	2,321	1.1
Nationwide CCDS 10.25%	Financial	2,276	1.0
Thames Water Kemble 7.75% 01/04/2019	Utilities	2,234	1.0
Heidelberg Druck 8% 15/05/2022	Engineering	2,215	1.0
Old Mutual 7.875% 03/11/2025	Insurance	2,208	1.0
UBS Group 7% PERP	Financial	2,155	1.0
Garfunkelux Holdco 3 SA 8.5% 01/11/2022	Financial	2,118	1.0
Deutsche Bank 7.125% 30/04/2026	Banks	2,092	1.0
Ecclesiastical Insurance 8.625% Pref	Insurance	2,046	0.9
Enterprise Inns 6.875% 09/05/2025	Leisure	2,040	0.9
Top fifty investments		166,692	76.2
Perform Group Finance 8.5% 15/11/2020	Financial	1,998	0.9
Rothschild Cont Fin 9% 15/02/2024 PERP	Financial	1,730	0.8
Hydra Dutch 8% 15/04/2019	Food Products	1,624	0.8
SQN Asset Finance	Financial	1,568	0.7
Channel Island Property	Real Estate	1,530	0.7
Santander Finance 10.375% Pref	Banks	1,510	0.7
HBOS Capital 6.85% 23/03/2049 PERP	Banks	1,507	0.7
Barclays 7.875% 15/09/2022	Financial	1,495	0.7
Premier Foods Finance 6.5% 15/03/2021	Food Products	1,421	0.6
1st Credit Holdings 11% 06/10/2020	Financial	1,404	0.6
Top sixty investments		182,479	83.4
Oro Negro Drilling 7.5% 24/01/2019	Oil & Gas	1,401	0.6
Personalhuset FRN 11/09/2019	Support Services	1,396	0.6
Elematic Oy 10% 30/05/2018	Machinery Manufacturing	1,345	0.6
Ocean Rig 7.25% 01/04/2019	Oil & Gas	1,340	0.6
Rea Finance 8.75% 31/08/2020	Food Products	1,261	0.6
CPUK Finance 7% 28/08/2020	Entertainment Resources	1,231	0.6
Global Ship Lease 10% 01/04/2019	Transport	1,228	0.6
Principality Building 7% 01/06/2020	Financial	1,212	0.6
Clerical Medical Fin FRN 7.375% 05/11/2019 VAR	Insurance	1,152	0.5
Southern Water 8.5% 15/04/2019	Utilities	1,129	0.5
Top seventy investments		195,174	89.2
Other investments (74)		23,722	10.8
Total investments		218,896	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
 PERP – Perpetual Pref – Preference Shares
 VAR – Variable

Condensed Income Statement

For the six months ended 31 December 2015

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	Notes	Six months ended 31 December 2015 (unaudited)			Six months ended 31 December 2014 (unaudited)			Year ended 30 June 2015 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Capital losses on investments										
Losses on investments	3	-	(8,711)	(8,711)	-	(10,420)	(10,420)	-	(12,898)	(12,898)
Exchange (losses)/gains		-	(6)	(6)	-	177	177	-	130	130
Revenue										
Income	4	9,864	-	9,864	7,642	-	7,642	16,602	-	16,602
Total income		9,864	(8,717)	1,147	7,642	(10,243)	(2,601)	16,602	(12,768)	3,834
Expenses										
Investment management fee	5	(665)	(222)	(887)	(586)	(195)	(781)	(1,241)	(414)	(1,655)
Other expenses		(358)	(34)	(392)	(359)	(86)	(445)	(749)	(94)	(843)
Total expenses		(1,023)	(256)	(1,279)	(945)	(281)	(1,226)	(1,990)	(508)	(2,498)
(Loss)/profit before finance costs and taxation		8,841	(8,973)	(132)	6,697	(10,524)	(3,827)	14,612	(13,276)	1,336
Finance costs										
Interest receivable		-	-	-	-	-	-	7	-	7
Interest payable and similar charges		(157)	(52)	(209)	(111)	(37)	(148)	(208)	(69)	(277)
(Loss)/profit before taxation		8,684	(9,025)	(341)	6,586	(10,561)	(3,975)	14,411	(13,345)	1,066
Irrecoverable withholding tax		(185)	-	(185)	(119)	-	(119)	(264)	-	(264)
(Loss)/profit after taxation		8,499	(9,025)	(526)	6,467	(10,561)	(4,094)	14,147	(13,345)	802
Earnings per ordinary share (pence)	6	2.38	(2.53)	(0.15)	2.15	(3.52)	(1.37)	4.51	(4.25)	0.26

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 2015

	Notes	As at 31 December 2015 (unaudited) £'000	As at 31 December 2014 (unaudited) £'000	As at 30 June 2015 (audited) £'000
Non-current assets				
Investments held at fair value		218,896	186,341	223,365
Current assets				
Other receivables		4,412	3,511	3,543
Cash at bank		4,878	4,763	6,220
		9,290	8,274	9,763
Total assets		228,186	194,615	233,128
Current liabilities				
Bank loan facility	7	(25,000)	(15,000)	(23,000)
Other payables		(214)	(198)	(1,452)
Total liabilities		(25,214)	(15,198)	(24,452)
Net assets		202,972	179,417	208,676
Stated capital and reserves				
Stated capital account	8	154,398	120,252	150,963
Special distributable reserve		50,385	50,385	50,385
Capital reserve		(16,800)	(4,991)	(7,775)
Revenue reserve		14,989	13,771	15,103
Equity shareholders' funds		202,972	179,417	208,676
Net asset value per ordinary share (pence)	9	56.86	58.77	58.63

Approved by the Board of Directors on 8 March 2016 and signed on its behalf by:

J G West
Director

Condensed Statement of Changes in Equity

For the six months ended 31 December 2015 (unaudited)

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	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £000
At 1 July 2015		150,963	50,385	(7,775)	15,103	208,676
Total comprehensive income for the period:						
Profit for the period		-	-	(9,025)	8,499	(526)
Transactions with shareholders recognised directly in equity:						
Dividends paid	2	-	-	-	(8,613)	(8,613)
Issue of shares		3,435	-	-	-	3,435
At 31 December 2015		154,398	50,385	(16,800)	14,989	202,972

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 shareholders 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 year ended 30 June 2015 (audited)

	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 year:						
Profit for the year		-	-	(13,345)	14,147	802
Transactions with shareholders recognised directly in equity:						
Dividends paid	2	-	-	-	(13,312)	(13,312)
Issue of shares		39,325	-	-	-	39,325
At 30 June 2015		150,963	50,385	(7,775)	15,103	208,676

Condensed Cash Flow Statement

For the six months ended 31 December 2015

	Six months ended 31 December 2015 (unaudited) £'000	Six months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
Operating activities			
(Loss)/profit before finance costs and taxation	(132)	(3,827)	1,336
Losses on investments	8,711	10,420	12,898
Exchange losses/(gains)	6	(177)	(130)
(Increase)/decrease in other receivables	(869)	109	77
(Decrease)/increase in other payables	(4)	(5)	35
Net cash inflow from operating activities			
before interest and taxation	7,712	6,520	14,216
Interest received	-	-	7
Interest paid	(209)	(158)	(306)
Irrecoverable withholding tax paid	(185)	(119)	(264)
Net cash inflow from operating activities	7,318	6,243	13,653
Investing activities			
Purchases of investments	(35,736)	(31,064)	(88,626)
Sales of investments	30,294	28,329	47,588
Net cash outflow from investing activities	(5,442)	(2,735)	(41,038)
Financing activities			
Equity dividends paid	(8,613)	(6,964)	(13,312)
Drawdown/(repayment) of bank loan facility	2,000	(360)	7,640
Issue of ordinary shares	3,435	8,614	39,325
Net cash (outflow)/inflow from financing	(3,178)	1,290	33,653
(Decrease)/increase in cash and cash equivalents	(1,302)	4,798	6,268
Net debt at the start of the period	(16,814)	(15,572)	(15,572)
(Drawdown)/repayment of bank loan facility	(2,000)	360	(7,640)
Exchange (losses)/gains	(6)	177	130
Net debt at the end of the period[†]	(20,122)	(10,237)	(16,814)

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

Notes to the Accounts

1. Basis of Preparation

The unaudited interim results which cover the six month period to 31 December 2015 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 2015.

Going concern

The condensed consolidated 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. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. Dividends

Amounts recognised as distributions to equity holders in the period.

	Six months ended 31 December 2015		Six months ended 31 December 2014		Year ended 30 June 2015	
	£'000	Rate (pence)	£'000	Rate (pence)	£'000	Rate (pence)
In respect of the previous period:						
Fourth interim dividend	5,161	1.45	4,225	1.45	4,225	1.45
In respect of the period under review:						
First interim dividend	3,452	0.97	2,739	0.94	2,739	0.94
Second interim dividend	-	-	-	-	2,931	0.96
Third interim dividend	-	-	-	-	3,417	0.96
	8,613	2.42	6,964	2.39	13,312	4.31

A second interim dividend in respect of the year ended 30 June 2016 of 0.97p per ordinary share was paid on 29 February 2016 to shareholders on the register on 29 January 2016. In accordance with International Financial Reporting Standards ("IFRS") this dividend has not been included as a liability in these accounts.

3. Investment Losses

Included within losses on investments for the period ended 31 December 2015 are realised gains of £1,051,000 and unrealised losses of £9,762,000.

4. Income

The breakdown of income for the period was as follows:

	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000	Year ended 30 June 2015 £'000
Income from investments:			
Dividend income	800	414	945
Preference share income	1,110	954	1,865
Interest on fixed interest securities	7,954	6,274	13,792
Total income	9,864	7,642	16,602

5. Investment Management fee

The Company's investment manager is CQS which has delegated this function to NCIM. The contract between the Company and CQS may be terminated by either party giving not less than 12 months notice of termination. 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 £886,591 were incurred, of which £151,000 was payable at the period end.

6. Earnings per Ordinary share

The revenue earnings per ordinary share is based on the net profit after taxation of £8,499,000 (31 December 2014: £6,467,000 and 30 June 2015: £14,147,000) and on a weighted average of 356,988,325 (31 December 2014: 300,388,821 and 30 June 2015: 313,955,040) ordinary shares in issue throughout the period.

The capital return per ordinary share is based on a net capital loss of £9,025,000 (31 December 2014: a net capital loss of £10,561,000 and 30 June 2015: a net capital loss of £13,345,000) and on a weighted average of 356,988,325 (31 December 2014: 300,388,821 and 30 June 2015: 313,955,040) ordinary shares in issue throughout the period.

Notes to the Accounts (continued)

7. Bank Loan Facility

	December 2015 £'000	December 2014 £'000	June 2015 £'000
Bank loan facility	25,000	15,000	23,000

The Company has a short term loan facility with Scotiabank.

As at the period end the unsecured loan facility had a limit of £30 million of which £25 million was drawn down as at 31 December 2015.

8. 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	2015 £'000
Total issued share capital at 1 July 2015	355,903,477	150,963
5,870,940 ordinary shares of no par value issued on 27 November 2015	5,870,940	3,435
Total issued share capital at 31 December 2015	361,774,417	154,398

On 27 November 2015 the Company allotted 5,870,940 ordinary shares of no par value, under its placement programme, for cash at 58.50p per share.

9. Net Asset Value per Ordinary share

The net asset value per ordinary share is based on net assets at the period end of £202,972,000 (31 December 2014: £179,417,000 and 30 June 2015: £208,676,000) and on 356,988,325 (31 December 2014: 305,299,173 and 30 June 2015: 355,903,477) ordinary shares, being the number of ordinary shares in issue at the period end.

10. Related Parties

The following are considered related parties: the Board of Directors ("the Board") and CQS/New City Investment Managers ("the Investment Manager"):

Mr G Ross, who was a director of the Company during the year, is also a director of the Company Secretary and Administrators, R&H Fund Services (Jersey) Limited and also the UK Administrator, R&H Fund Services Limited, which receive fees from the Company.

All transactions with related parties are carried out at an arms length basis.

There are no other transactions with the Board other than aggregated remuneration for services as Directors. There are no outstanding balances to the Board at the period end.

Details of the fee arrangement with the Investment Manager is disclosed in note 5.

11. Post Balance Sheet Events

Under the current placement programme, on 4 March 2016 the Company issued 36,177,441 shares at 56.6 pence per share, representing 10% of issued share capital. The shares were immediately bought back at the same price to be held in Treasury.

12. 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 2015 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 2015 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

R&H Fund Services (Jersey) Limited

Secretary

8 March 2016

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

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

8 March 2016

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	The ratio is calculated by dividing the middle-market price per share by the earnings per share. 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.
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.

Registered Number

95691

Registered Office

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

Directors

James G West (Chairman)
Duncan A H Baxter (appointed 31 July 2015)
Gavin D P Breeze (Audit Committee Chairman)
Allister F de L Carey (resigned 2 March 2016)
Adrian J R Collins
Graeme D Ross (resigned 31 July 2015)
Wendy J Dorman (appointed 2 March 2016)

Investment Manager

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

AIFM

CQS Asset Management Limited
5th Floor
33 Grosvenor Place
London SW1X 7HY

Company Secretary and Administrator

R&H Fund Services (Jersey) Limited
Ordnance House, 31 Pier Road
St. Helier, Jersey JE4 8PW
Channel Islands
Tel: 01534 825200

UK Administrator

R&H Fund Services Limited
20 Forth Street
Edinburgh, EH1 3LH
Tel: 0131 550 3760

Registrars

Computershare Investor Services (Jersey) Limited
Queensway House, Hilgrove Street
St. Helier, Jersey JE1 1ES
Channel Islands
Tel: 01534 281800

Financial Adviser and Corporate Broker

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London E14 5RB

Auditor

KPMG LLP
20 Castle Terrace
Edinburgh EH1 2EG

Bankers, Custodian Bankers and Depository

HSBC Bank PLC
8 Canada Square
London E14 5HQ

Scotiabank Europe plc
201 Bishopgate
6th Floor
London
EC2M 3NS

Jersey Lawyers to the Company

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

UK Solicitors to the Company

Maclay Murray & Spens LLP
One London Wall,
London EC2Y 5AB

Website

www.ncim.co.uk

ISIN

JE 00B1LZS514

Shareholder Information

Net Asset Value/Share Price

The net asset value of the Company's ordinary shares may be obtained by contacting CQS on 0207 201 6900 or by email at clientservice@ccqsm.com or alternatively by visiting the Company's web site at www.ncim.co.uk.

CQS NEW CITY
HIGH YIELD FUND
LIMITED
