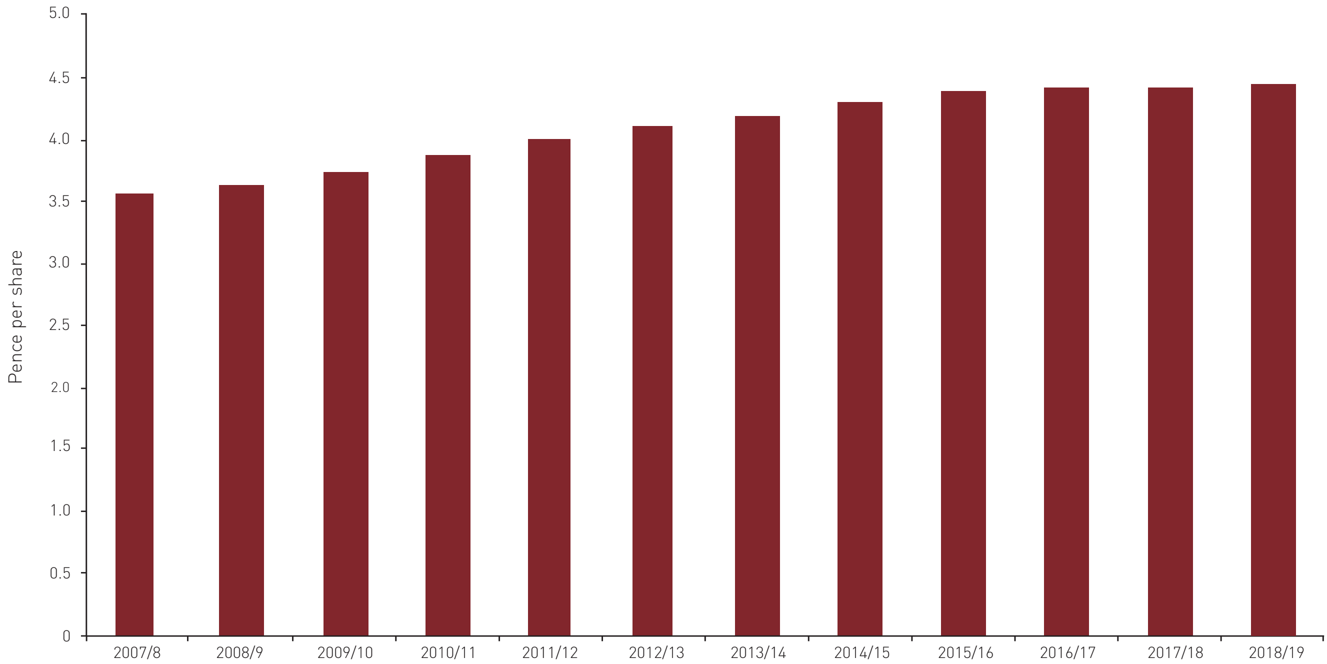
CQS NEW CITY HIGH YIELD FUND LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

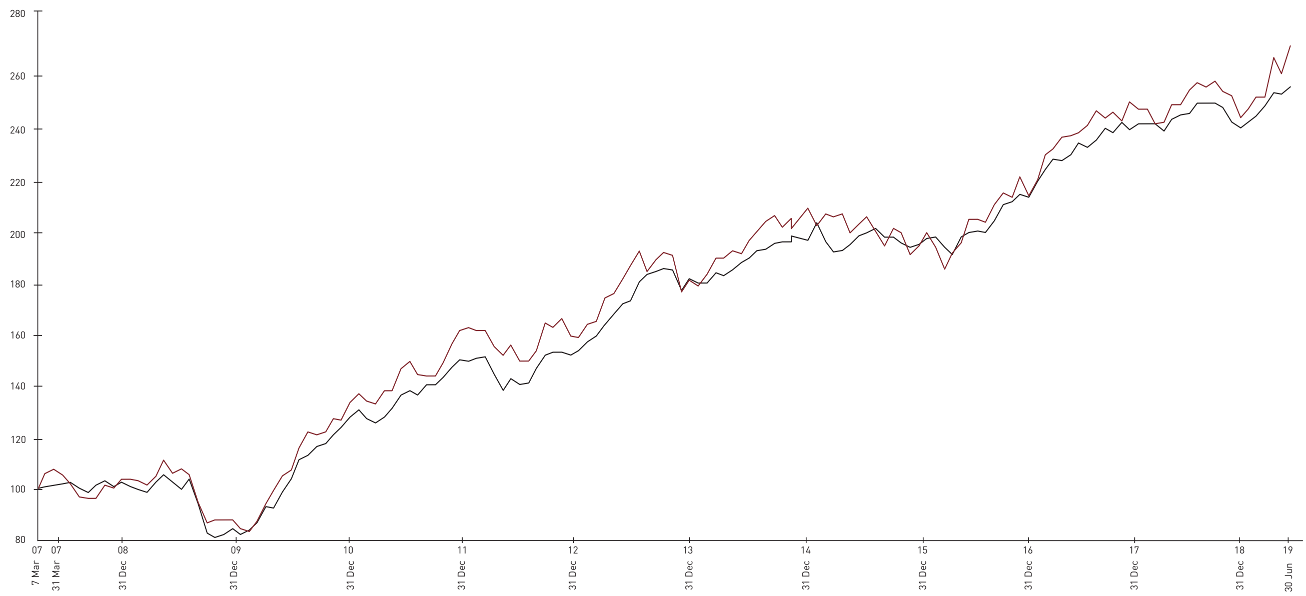
30 JUNE 2019

Dividends Declared in Respect of Each Financial Year



Source: Maitland Administration Services (Scotland) 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 March 2007)
Source: Maitland Administration Services (Scotland) 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*	Year to 30 June 2019	Year to 30 June 2018	
Net asset value	3.79%	5.82%	
Ordinary share price	6.71%	5.50%	

Capital Values	30 June 2019	30 June 2018	% change
Total assets less current liabilities (with the exception of the bank loan facility)	£261.1m	£259.1m	+0.78%
Net asset value per ordinary share	55.19p	57.63p	-4.23%
Share price (mid market)	61.00p	61.75p	-1.21%

Revenue and Dividends	30 June 2019	30 June 2018	% change
Revenue earnings per ordinary share	4.49p	4.54p	-1.10%
Dividends per ordinary share	4.45p	4.42p	+0.68%
Dividend cover*	1.01x	1.00x	+1.00%
Revenue reserve per ordinary share (after recognition of annual dividends)*	4.09p	4.25p	
Dividend Yield*	7.30%	7.16%	
Premium*	10.53%	7.15%	
Gearing*	9.51%	10.45%	
Ongoing Charges Ratio*	1.20%	1.17%	

Period's High/Lows	2018/19 High	2018/19 Low
Net asset value	57.2p	52.6p
Ordinary share price (mid market)	62.8p	55.8p
Premium/(discount) to net asset value*	12.4%	5.1%

Dividend History	Rate	xd date	Record date	Payment date
First interim 2019	1.00p	25 October 2018	26 October 2018	30 November 2018
Second interim 2019	1.00p	24 January 2019	25 January 2019	28 February 2019
Third interim 2019	1.00p	25 April 2019	26 April 2019	31 May 2019
Fourth interim 2019	1.45p	25 July 2019	26 July 2019	30 August 2019
Total	4.45p			
First interim 2018	0.99p	26 October 2017	27 October 2017	30 November 2017
Second interim 2018	0.99p	25 January 2018	26 January 2018	28 February 2018
Third interim 2018	0.99p	26 April 2018	27 April 2018	31 May 2018
Fourth interim 2018	1.45p	26 July 2018	27 July 2018	31 August 2018
Total	4.42p			

* A glossary of the terms, including alternative performance measures, used can be found on page 47.

Statement from the Chair

Highlights

- Net asset value total return of 3.79%.
- Ordinary share price total return of 6.71%.
- Dividend yield of 7.30%, based on dividends at an annualised rate of 4.45 pence and a share price of 61.0 pence as at 30 June 2019.
- Ordinary share price at a premium of 10.53% as at 30 June 2019.
- £12.6 million of equity raised during the year to 30 June 2019.

Investment and Share Price Performance

The period of subdued performance that I spoke of when I wrote to you at the interim stage of our financial year subsequently reversed and the year ending 30 June 2019 covered by this annual report saw a net asset value total return of 3.79% for the Company's portfolio and a share price total return for the same period of 6.71%. The Company's shares have continued to trade at a premium to their net asset value and as at 30 June 2019 this stood at 10.53%, up from the 7.15% premium at the start of the review period. The average premium over the year to 30 June 2019 was 6.49% and over three years 5.55%.

There has been no let up in major news flow against which the Company's investment portfolio has been managed. In the UK, Brexit negotiations have dragged on, whilst abroad, expectations that US interest rates would be cut were felt during the period under review even though the cut actually happened in July. Add to this mix ongoing tensions around the imposition of US / China trade tariffs and there was plenty for Ian Francis, your Investment Manager, to grapple with. He discusses the year in more detail in his review on page 4.

Earnings and Dividends

The Company's revenue earnings per share were 4.49 pence per share for the year, 1.10% lower than the 4.54 pence earned in the same period last year whilst still covering the dividends paid per share.

The Company declared three interim dividends of 1.00 pence per share in respect of the period, and a final one of 1.45 pence per share. The aggregate payment of 4.45 pence per share represents a 0.68% increase on the 4.42 pence paid last year. Based on an annualised rate of 4.45 pence and a share price of 61.00 pence as at 30 June 2019, this represents an attractive dividend yield of 7.30%. The same annual dividend with a share price of 59.20 pence at the time of writing, equates to a dividend yield of 7.52%.

The Board pays close attention to dividends and, since its launch in 2007, dividends paid by the Company have increased every year. This is illustrated by the graph on the inside front cover.

Gearing

In December 2018 the Company replaced its existing one year £30 million Scotiabank loan facility with a new two year £35 million facility with the same bank at a current all-in rate of 2.01%. With the exception of its term, the facility is comparable to the one that it replaced. £28 million was drawn down at 30 June 2019 and the Company had an effective gearing ratio of 9.51%.

Share Issuance

The market continues to attach a premium rating to your Company's shares, allowing us to issue new shares in a gradual manner and only when your Investment Manager is confident he can invest the additional funds favourably. £12.6 million was raised from new and existing shareholders during the review period, with 21.4 million ordinary shares issued from the block listing facility. A further £1.9 million has been raised since 30 June 2019. As well as a modest increase in net asset value from any issue of shares, the Board expects that over time existing shareholders may benefit from lower ongoing charges (as a proportion of the Company's assets) and greater liquidity in the Company's shares, all other things being equal.

Management Arrangements and Management Fee

On 18 September 2019 the Company entered into a new Investment Management Agreement to appoint CQS (UK) LLP ("CQS") as its Investment Manager. Under the previous agreement, which has been terminated, the Investment Manager, CQS Cayman Limited Partnership had, with the agreement of the Board, delegated that function to CQS.

I am pleased to advise that our Investment Manager, has agreed a new, lower fee schedule for your Company. With effect from 18 September 2019, the management fee includes a tier of 0.60% per annum for Adjusted Total Assets greater than £300 million. The existing tier of 0.80% per annum for Total Assets up to £200 million remains in place and the tier of 0.70% per annum is now for Total Assets between £200 million and £300 million.

Board Changes

As described in the interim report, I took over the Chair on 14 December 2018, half way through the period under review, and once again, on behalf of shareholders, the Board would like to express much appreciation to my predecessor, Jimmy West, who retired at the Annual General Meeting held on that date. Jimmy had been Chair of the Company since its launch in Jersey in January 2007, a period which saw the Company more than quadruple in size and, as mentioned above, continue to increase dividends every year. His experience and dedication to the Company will be missed.

Administration Changes

Again as described in the interim report, our Company Secretary and Jersey administrators, R&H Fund Services (Jersey) Limited, informed us in December 2018 that they were terminating their agreement with your Company as they wish to exclude relationships where they only provide some, but not all, of the administrative functions.

Following a thorough selection process, the Board has chosen BNP Paribas Securities Services S.C.A. Jersey Branch ("BNP") as the Company's new Company Secretary and Administrator. BNP's appointment will be effective from 15 October 2019. BNP will also replace HSBC Bank Plc as the Company's Depositary, Custodian and Banker from the same date. As well as being a cost effective move, the Board believes this will assist communication and operational efficiency by having everything under one roof.

Outlook

Brexit, US/China trade war tensions and a number of fully or partially inverted government bond yield curves are far from reassuring, while political instability, not least in the UK, is a particular concern given that markets currently seem driven, at least in the short term, as much by politics as fundamentals. As always, though, uncertainty also provides investment opportunities. In this context, the 35 years' investment experience of our lead Investment Manager, Ian "Franco" Francis, together with his proven long-term track record, is an invaluable asset, reinforcing the 'strength through diversity' that continues to characterise your Company's investment portfolio.

Caroline Hitch
7 October 2019

Investment Manager's Review

Another year, another Brexit dominated news agenda in the UK. Despite losing any number of Westminster votes on her Brexit deal, Theresa May managed to cling onto power until finally resigning as leader of the Conservative party in May 2019. We now have a new Prime Minister in the shape of Boris Johnson to try and steer the country ahead with an impending EU exit date of 31 October.

The UK economy has been very weak for most of the last 12 months. There was a pick-up in manufacturing activity in the first quarter of 2019 as companies stockpiled ahead of the earlier end of March Brexit date, but as that tide has gone out, the economy has become more exposed to the uncertainties caused by Brexit and global trade wars. Manufacturing, Construction, the Service Industry and Consumers desperately want some certainty to plan ahead. Sterling has continued to weaken against major currencies and the retail and consumer sectors continue to have a tough time.

In Europe, the steady growth we have seen in previous years has been replaced by slowing or no growth and companies have been cutting back on hiring as a sense of pessimism grips the Continent. The traditional powerhouses of Europe are all experiencing problems with low growth and falling manufacturing orders sitting alongside political uncertainty and the US /China trade war, with the associated risk that President Trump gets tough on European trade, further hitting, in particular, the German manufacturers. Towards the end of our financial year there was a changing of the guard at the European commission with new Commission, Council and ECB Presidents being appointed. They have the onerous task of stimulating growth and dealing with the recalcitrant UK.

Although the United States continued to power ahead economically over the last 12 months (despite the US Government being shut for a record 35 days at the start of the year), we have seen some recent signs that the US economy may be starting to cool down. Trade wars in the shape of actual and implied tariffs against China appear to be having real effects on the US economy and the threat of slowing growth has prompted the Federal Reserve to start cutting US interest rates. President Trump has continued to lambast the Fed for (in his opinion) raising rates too soon and then not cutting them swiftly enough. In our opinion he is trying to deflect the real reason behind the slowdown, the trade war with China.

Shareholders may have read that almost a third of all bonds in the world are now trading at negative interest rates. This is caused by many investors being worried about falls in global growth leading to recession and opting to stay extremely safe by investing in mainly highly rated Government debt and happy to take the small loss implied by such rates. It is a worrying sign as inverted yield curves have been the forerunner of most recessions. Another risk is that without higher interest rates to drive investment in real assets, both Europe and the USA might enter a "liquidity trap" environment, like Japan, whereby it becomes very difficult to stimulate growth.

Your portfolio is mainly invested in the High Yield Corporate Bond market. This was negatively affected by the weakness we saw in global equity markets at the end of 2018, but has since recovered and is offering attractive opportunities to investors.

The number of portfolio companies seeking to repay their higher yielding bonds and replace them with lower yielding paper has declined this year, with the result that investment activity has been muted as we have remained invested in our favoured companies. New holdings in the top ten over the year were Euronav, (last year's number 11 holding) the largest quoted tanker company in the world, and Wittur International, a manufacturer of lift equipment.

As always we continue to maintain a diversified portfolio across a range of sectors and have a good proportion of the portfolio in non-sterling currencies which can act as a hedge against a possible Brexit Sterling collapse. We also favour shorter duration bonds; that is bonds that will repay within a two to three year timetable as we try to hedge against possible interest rate rises. Although the outlook for economic growth looks difficult we have navigated through these waters before and remain confident we can find suitable investments that meet our income objectives without increasing the risk we always take in when investing in the high yield universe.

Over the year the Total Return for your Company in net asset value terms was 3.79% and the closing yield on the share price was 7.30%.

Ian "Franco" Francis
New City Investment Managers
7 October 2019

Classification of Investment Portfolio

By Currency	2019 Total investments %	2018 Total investments %
Sterling	**73**	73
US dollar	**19**	19
Euro	**7**	5
Australian dollar	**–**	1
Swedish krona	**–**	1
Norwegian krone	**1**	1
Total investments	**100**	**100**

By Asset Class	2019 Total investments %	2018 Total investments %
Bonds	**80**	84
Equity shares	**17**	13
Convertible Bonds	**3**	3
Total investments	**100**	100

By Quotation	2019 Total investments %	2018 Total investments %
Listed/Quoted on a recognised investment exchange	**95.9**	96.6
Unquoted	**4.1**	3.4
Total investments	**100.0**	**100.0**

Classification of Investment Portfolio by Sector

As at 30 June	2019 % of total investments	2018 % of total investments
Oil & Gas	**7.1**	6.5
Basic Materials	**2.9**	3.0
Industrials	**14.5**	7.6
Consumer Goods	**7.2**	10.3
Consumer Services	**11.0**	13.7
Healthcare	**–**	0.2
Telecommunications	**0.9**	3.2
Utilities	**–**	–
Financials	**55.8**	53.4
Technology	**0.6**	2.1
Total Investments	100.0	100.0

Investment Portfolio
as at 30 June 2019

Company	Sector	Valuation £'000	Total Investments %
Punch Taverns Finance 7.75% 30/12/2025	Restaurants & Bars	10,424	4.1
Perform Group Financing 8.5% 15/11/2020	Financial	9,338	3.7
CYBG 8% VAR PERP	Banks	8,709	3.4
Shawbrook Group 7.875% VAR PERP	Financial	8,365	3.3
Galaxy Finco Ltd 7.875% 15/11/2021	Insurance	7,494	3.0
Matalan Finance 9.5% 31/01/2024	Consumer goods	6,323	2.5
Rea Finance 8.75% 31/08/2020	Food Products	6,275	2.5
Wittur Intl 8.5% 15/02/2023	Industrials	6,000	2.4
Euronav Luxembourg SA 7.5% 31/05/2022	Transport	6,031	2.4
Barclays Bank 7% VAR PERP	Banks	5,933	2.3
Top ten investments		74,892	29.6
Onesavings Bank Plc 9.125% VAR PERP	Banks	5,847	2.3
Garfunkelux Holdco 11% 01/11/2023	Insurance	5,493	2.2
Partnership Life Assurance 9.5% 24/03/2025	Insurance	5,252	2.1
Just Group VAR PERP	Insurance	5,122	2.0
Bracken Midco One 8.875% 15/10/2023	Financial	4,910	1.9
Virgin Money 8.75% VAR PERP	Banks	4,615	1.8
Ardonagh Midco Three Plc 8.375% 15/07/2023	Financial	4,477	1.8
JRP Group Plc 9% 26/10/2026	Financial	4,574	1.8
Hertz Corp 7.375% 15/01/2021	Consumer services	4,319	1.7
Hurricane Energy Plc Convertible 7.5% 24/07/2022	Oil & Gas	4,406	1.7
Top twenty investments		123,907	48.9
Balfour Beatty PREF 9.675% 01/07/2020	Construction	4,285	1.7
Aldermore Group 11.875% VAR PERP	Banks	4,137	1.6
American Tanker Inc 9.25% 22/02/2022	Oil & Gas	3,949	1.6
Tizir Ltd 9.5% 19/07/2022	Mining	3,675	1.5
Stobart Finance 2.75% Convertible 08/05/2024	Transport	3,745	1.5
Doric Nimrod Air Three	Industrials	3,729	1.5
Permanent TSB 8.625% VAR PERP	Banks	3,502	1.4
Gran Colombia Gold Corp 8.25% 30/04/2024	Basic materials	3,373	1.3
PizzaExpress Financing 8.625% 01/08/2022	Restaurants & Bars	3,159	1.2
Raven Russia Limited 12% PREF	Real Estate	3,383	1.3
Top thirty investments		160,844	63.5
Deutsche Bank 7.125% VAR PERP	Banks	3,290	1.3
Aggre Micro 8% 17/10/2036	Industrials	3,267	1.3
Phoenix Group Holdings 5.75% VAR PERP	Insurance	3,232	1.3
VPC Speciality Lending Investments	Financial	3,249	1.3
Unique Pub Finance 7.395% 28/03/2024	Restaurants & Bars	3,214	1.3
Bombardier Inc 7.5% 15/03/2025	Industrials	3,142	1.2
LBG 7.875% VAR PERP	Banks	3,140	1.2
Channel Islands Property Fund	Real Estate	3,000	1.2
SQN Secured Income Fund	Financial	2,935	1.2
Nationwide Building Society 10.25% VAR PERP	Banks	2,809	1.1
Top forty investments		192,122	75.9

Company	Sector	Valuation £'000	Total Investments %
Rea Holdings PREF	Food Products	2,701	1.1
RM Secured Direct Lending	Financial	2,500	1.0
Oilflow SPV 1 DAC 12% 13/01/2022	Oil & Gas	2,457	1.0
Borealis Finance 7.5% 16/11/2022	Financial	2,274	0.9
New Look Secured Issuer 12% 02/05/2024	Consumer goods	2,210	0.9
HDL Debenture 10.375% 31/07/2023	Real Estate	2,167	0.9
Euronav	Financial	2,192	0.9
Lloyds Banking Group 7.625% VAR PERP	Banks	2,131	0.8
Aggre Micro 8% 17/10/2036	Industrials	2,000	0.8
Shamaran Petroleum Corp 12% 05/07/2023	Oil & Gas	1,875	0.7
Top fifty investments		214,629	84.9
Oaknorth Bank Variable 01/06/2028	Banks	1,970	0.8
Garfunkelux Holdco 3 SA 8.5% 01/11/2022	Insurance	1,887	0.7
Yew Grove REIT	Real Estate	1,790	0.7
SB Holdco FRN 13/07/2022	Retail	1,739	0.7
JPI Media Group Senior Notes	Media	1,731	0.7
Diversified Gas & Oil	Oil & Gas	1,690	0.7
Barclays Plc 7.875% VAR PERP	Banks	1,588	0.6
Regional REIT	Real Estate	1,592	0.6
Otiga Group FRN 08/07/2022	Consumer services	1,578	0.6
Bluewater Holding BV 10% 28/11/23	Industrials	1,564	0.6
Top sixty investments		231,758	91.6
Oro Negro 7.5% 24/01/2019	Drill Rigs	1,537	0.6
Floatel International 9% 11/04/2024	Oil Services	1,396	0.6
Palace Capital	Real Estate	1,403	0.6
Veritas US Inc 7.5% 01/02/2023	Technology	1,264	0.5
Altice Financing SA 7.5% 15/05/2026	Telecommunications	1,181	0.5
Tufton Oceanic Assets	Financial	1,032	0.4
Altice SA 7.75% 15/05/2022	Telecommunications	994	0.4
Navigator Holdings 7.75% 10/02/2021	Shipping	943	0.4
Croma Security Solutions	Security Services	924	0.3
DB Cont Capital Trust V 8.05% PREF	Banks	728	0.2
Top seventy investments		243,160	96.1
Other investments (33)		9,874	3.9
Total investments		253,034	100.0

Notes:

CV – Convertible Bond
FRN – Floating Rate Note
PERP – Perpetual
VAR – Variable
CLN – Convertible Loan Note
PREF – Preference Shares
REIT – Real Estate Investment Trust

Top Ten Largest Holdings

	Valuation 30 June 2018 £'000	Purchases £'000	Sales £'000	(Depreciation)/ appreciation £'000	Valuation 30 June 2019 £'000
Punch Taverns Finance 7.75% 30/12/2025 A public house operator in the United Kingdom.	9,663	983	–	(222)	10,424
Perform Group Financing 8.5% 15/11/2020 A global company distributing multimedia digital sports information.	7,612	1,734	–	(8)	9,338
CYBG 8% Variable Perpetual A British banking company concentrating on UK Retail and SME regional banking services.	7,997	1,007	–	(295)	8,709
Shawbrook Group 7.875% Variable Perpetual A British multinational banking and financial services company.	6,024	1,867	-	474	8,365
Galaxy Finco Ltd 7.875% 15/11/2021* A specialist provider of warranties for consumer electric products.	7,505	–	–	(11)	7,494
Matalan Finance 9.5% 31/01/2024 Owner and operator of Matalan stores.	6,187	–	–	136	6,323
Rea Finance 8.75% 31/08/2020 Cultivator of oil palms and production of crude palm oil and palm products.	6,867	–	–	(592)	6,275
Wittur Intl 8.5% 15/02/2023 A manufacturer of lift equipment	4,090	1,799	–	111	6,000
Euronav Luxembourg SA 7.5% 31/05.2022 An international shipping enterprise focussing on crude oil transport.	5,735	–	–	296	6,031
Barclays Bank 7% Variable Perpetual A British multinational banking and financial services company.	6,009	–	–	(76)	5,933
	67,689	7,390	–	(187)	74,892

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

Strategic Review

Introduction

This review is part of a Strategic Report being presented by the Company and is designed to provide information primarily about the Company's business and results for the year ended 30 June 2019. It should be read in conjunction with the Statement from the Chair on page 3 and the Investment Manager's Review on page 4, which give a detailed review of the investment activities for the year and look to the future.

Investment Policy

The Company invests predominantly in fixed income securities, including, but not limited to, preference shares, loan stocks, corporate bonds (convertible and/or redeemable) and government stocks. The Company also invests in equities and other income-yielding securities.

Exposure to higher yielding securities may also be obtained by investing in other closed-end investment companies and open-ended collective investment schemes.

There are no defined limits on securities and accordingly the Company may invest up to 100 per cent of total assets in any particular type of security.

There are no defined limits on countries, size or sectors, therefore the Company may invest in companies regardless of country, size or sector and, accordingly, the Company's portfolio is constructed without reference to the composition of any Stock Market index or benchmark.

The Company may, but is not obliged to, invest in derivatives, financial instruments, money market instruments and currencies for the purpose of efficient portfolio management.

The Company may acquire securities that are unlisted or unquoted at the time of investment but which are about to be convertible, at the option of the Company, into securities which are listed or traded on a stock exchange. The Company may continue to hold securities that cease to be listed or traded if the Investment Manager considers this appropriate. The Board has established a maximum investment limit in this regard of 10 per cent (calculated at the time of any relevant investment) of the Company's total assets. In addition, the Company may invest up to 10 per cent (calculated at the time of any relevant investment) of its total assets in other securities that are neither listed or traded at the time of investment.

The Company will not invest more than 10 per cent (calculated at the time of any relevant investment) of its total assets in other collective investment undertakings (open-ended or closed-end).

The Board has established a maximum investment limit whereby, at the time of investment, the Company may not invest more than 5 per cent of its total investments in the same investee company.

The Company uses gearing and the Board has set a current limit that gearing will not exceed 25 per cent of shareholders' funds at the time of borrowing. This limit is reviewed from time to time by the Board.

The Investment Manager expects that the Company's assets will normally be fully invested. However, during periods in which changes in economic circumstances, market conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its positions in cash, money market instruments and derivative instruments in order to seek protection from Stock Market falls or volatility.

Investment Approach

Investments are typically made in securities which the Investment Manager has identified as undervalued by the market and which it believes will generate above average income returns relative to their risk, thereby also generating the scope for capital appreciation. In particular, the Investment Manager seeks to generate capital growth by exploiting the opportunities presented by the fluctuating yield base of the market and from redemptions, conversions, reconstructions and take-overs.

Principal Risks and Uncertainties and Risk Mitigation

Risks are inherent in the investment process, but it is important that their nature and magnitude are understood so that risks, particularly those which the Company does not wish to take, can be identified and either avoided or controlled. The Board has established a detailed framework of the key risks that the business is exposed to, with associated policies and processes devised to mitigate or manage those risks. The principal risks and mitigating factors faced by the Company are set out below.

Investment and strategy risk The Board is responsible for deciding the investment strategy to fulfil the Company's objectives and monitoring the performance of the Investment Manager. Inadvisable strategy, including country and sector allocation, stock selection and the use of gearing could all lead to poor returns for shareholders. To manage this risk the Board requires the Investment Manager to provide an explanation of significant stock selection decisions and the rationale for the composition of the investment portfolio at each Board meeting, when gearing levels are also reviewed. The Board monitors the spread of investments to ensure that it is adequate to minimise the risk associated with particular countries or factors specific to particular sectors. The Investment Manager also provides the Board and shareholders with monthly factsheets which include an investment commentary.

Market risk The Company's assets consist principally of listed fixed interest securities and its greatest risks are in consequence market related, with exposure to ordinary movements in the prices of the Company's investments and the loss that the Company might suffer through holding investments in the face of negative market movements. The Board seeks to mitigate this risk through the processes described in the paragraph above, monitoring the implementation and results of the investment process with the Investment Manager.

Financial risk The Company's investment activities expose it to a variety of financial risks that include market price risk, foreign currency risk, interest rate risk, liquidity risk and credit risk. Further details of these risks and the ways in which they are managed are disclosed in notes 16 to 21 of the financial statements.

Earnings and dividend risk The earnings that underpin the amount of dividends declared and future dividend growth are generated by the Company's underlying portfolio. Fluctuations in earnings resulting from changes to the underlying portfolio or changes in the tax treatment of the dividends or interest received by the Company could reduce the level of dividends received by shareholders. The Board monitors and manages this risk by considering detailed income forecasts prepared by the Investment Manager and Company Secretary at each Board meeting and when the quarterly dividends are declared.

Operational risk The Company relies upon the services provided by third parties and is reliant on the control systems of the Investment Manager and the Company's other service providers. The security and/or maintenance of, inter alia, the Company's assets, dealing and settlement procedures, and accounting records depend on the effective operation of these systems. These are regularly tested and monitored and are reported on at each Board meeting. An internal control report, which includes an assessment of risks, together with the procedures to mitigate such risks, is prepared by the Company Secretary and by Maitland Administration Services (Scotland) Limited, whose systems and processes the Company relies upon. These are reviewed by the Audit and Risk Committee, as a minimum, once a year. CQS (UK) LLP delivers a risk based internal audit plan which covers different areas of its operations that are subject to internal audit, including front, middle and infrastructure audits. Any areas of concern relevant to the Company are discussed with the Audit and Risk Committee when it meets. The Depository and Custodian, HSBC Bank plc, produces an internal control report each year which is reviewed by its auditor and gives assurance regarding the effective operation of controls. This is reviewed by the Audit and Risk Committee.

Gearing risk A fall in the value of the underlying investments could adversely affect the value of the Company's investment portfolio by the impact of gearing. It could also result in a breach of loan covenants. The Board sets the gearing limits. Gearing levels and compliance with loan covenants are monitored monthly by the Investment Manager and by the Board at regular Board meetings. Gearing will not exceed 25 per cent of shareholders' funds at the time of borrowing.

Key person dependency Performance of the Company may be negatively affected by a change in the fund management team within the Investment Manager. Prior to 18 September 2019, the Company delegated the management of the fund management team to New City Investment Managers. Whilst the lead fund manager was responsible for day to day portfolio management, an Investment Committee within New City Investment Managers also decided key stock selection. The Management Engagement Committee of the Company reviews the performance of the Investment Manager annually. Further details of the change of Investment Manager are provided in Note 24.

Regulatory risk The breach of regulatory rules could lead to a suspension of the Company's stock exchange listing or financial penalties. The Company Secretary and UK Administrator monitor the Company's compliance with the Listing Rules of the UK Listing Authority. Compliance with the Listing Rules is reviewed by the Directors at each Board meeting.

Political risk Political developments are closely monitored and considered by the Board. The Board has noted the results of the UK referendum on continuing membership of the European Union. Whilst there is considerable uncertainty at present, the Board will continue to monitor developments as they occur and assess the potential consequences for the Company's future activities.

Viability Statement

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the viability of the Company over a period longer than the 12 months required by the 'Going Concern' provision (this provision is detailed below and on page 11). The Board conducted this viability review for a period of three years. The Board continues to consider that this period reflects the long term objectives of the Company, being a Company with no fixed life, whilst taking into account the impact of uncertainties in the markets.

The Directors do not expect there to be any significant change to the current principal risks facing the Company nor to the adequacy of the controls in place to mitigate those risks. Furthermore, the Directors do not envisage any change in strategy which would prevent the Company from operating over the three year period. This is based on the assumption that there are no significant changes in market conditions or the tax and regulatory environment that could not reasonably have been forseen. The Board also considers the annual continuation vote should not be a factor to affect the three year period given the strong demand seen for the Company's shares.

In making this statement the Board: (i) considered the continuation vote to be proposed at the Annual General Meeting which the Board considers will be voted in favour of by shareholders; and (ii) carried out a robust assessment of the principal risks facing the Company. These risks and their mitigations are set out on pages 9 and 10.

The principal risks identified as most relevant to the assessment of the viability of the Company were those relating to potential under-performance of the portfolio and its effect on the ability to pay dividends. When assessing these risks the Directors have considered the risks and uncertainties facing the Company in severe but reasonable scenarios, taking into account the controls in place and mitigating actions that could be taken.

When considering the risk of under-performance, the Board carried out a series of stress tests including in particular the effects of any substantial future falls in investment value on the ability to re-pay and re-negotiate borrowings, potential breaches of loan covenants and the maintenance of dividend payments.

The Board considered the Company's portfolio and concluded that the diverse nature of investments held gives stability and liquidity along with flexibility to be able to react positively to market and political forces outwith the Board's control.

The Board also considered the impact of potential regulatory change and the controls in place surrounding significant third party providers, including the fund manager.

The Board also noted the low liquidity risk in the portfolio.

The Scotiabank loan facility is due to expire on 18 December 2020. It is anticipated a new facility on comparable terms will be negotiated prior to this date.

Based on the Company's processes for monitoring revenue and costs, with the use of frequent revenue forecasts, and the Manager's compliance with the investment objective and policies, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of approval of this Report.

Going Concern

The Company does not have a fixed winding-up date and, therefore, unless shareholders vote to wind-up the Company, shareholders will only be able to realise their investment through the market.

At each Annual General Meeting of the Company, shareholders are given the opportunity to vote on an ordinary resolution to continue the Company as an investment company. If any such resolution is not passed, the Board will put forward proposals at an extraordinary general meeting to liquidate or otherwise reconstruct or reorganise the Company. Given the performance of the Company, input from the Company's major shareholder and its broker, the Board considers it likely that shareholders will vote in favour of continuation at the forthcoming Annual General Meeting.

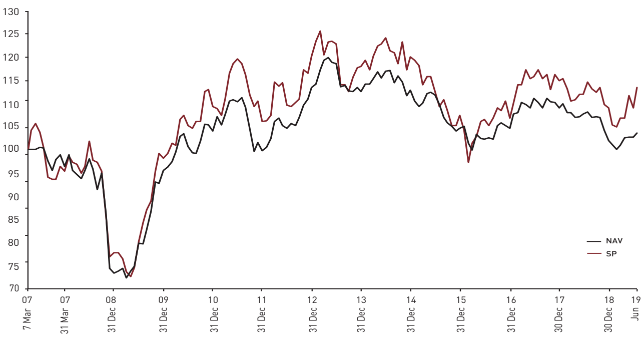
After making enquiries of the Investment Manager, and having considered the Company's investment objective, nature of the investment portfolio, loan facility and expenditure projections, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, and in light of the Company's strong investment record, the Directors continue to adopt the going concern basis in preparing the financial statements , notwithstanding that the Company is subject to an annual continuation vote as described above.

Performance Measurement and Key Performance Indicators (KPIs)

The Board uses a number of performance measures to monitor and assess the Company's success in meeting its objectives and to measure its progress and performance. The key performance indicators are as follows:

- **Dividend Yield and Dividend Cover**
  It is intended that the Company will pay four quarterly dividends each year and accordingly the Board reviews the Company's dividend yield and dividend cover on a quarterly basis. During the year dividends amounting to 4.45 pence per ordinary share were declared (2018: 4.42 pence).

CQS New City High Yield Fund Limited, NAV vs Share Price, GBP



Source: Maitland Administration Services (Scotland) Limited (Index restated to 100 from March 2007)

- **Total Return**
  The Board reviews the Company's Net Asset Value ("NAV") total return and Share Price total return on a quarterly basis. (See graph on inside front cover)
- **Discount/premium to NAV**
  At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV at which its shares trade. During the year the premium at which the shares traded increased from 7.15% as at 30 June 2018 to 10.53% as at 30 June 2019. The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange.
- **Revenue Earnings and Dividends per share**
  The Board reviews a revenue forecast on a quarterly basis to determine the quarterly dividend.
- **Ongoing Charges**
  The ongoing charges ratio represents the Company's management fee and all other operating expenses incurred by the Company expressed as a percentage of the average shareholders' funds over the year. The Board regularly reviews the ongoing charges and monitors all Company expenses. The ongoing charges ratio for the year ended 30 June 2019 was 1.20% (2018: 1.17%).

The Board measures the Company's performance by reviewing the KPIs against their expectations of performance from their knowledge of the industry sector.

These KPIs fall within the definition of 'Alternative Performance Measures' (APMs) under guidance issued by the European Securities and Markets Authority. Additional information explaining how these are calculated is set out in the Glossary.

Social, Community, Human Rights, Employee Responsibilities and Environmental Policy

The Directors recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

In asking the Company's Investment Manager to deliver against these objectives, they have also requested that the Investment Manager take into account the broader social, ethical and environmental issues of companies within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long term risk to the sustainability of their businesses.

More specifically, they expect companies to demonstrate ethical conduct, effective management of their stakeholder relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues.

As an investment company with its current structure, the Company has no direct social, community, human rights, employee or environmental responsibilities of its own. As a consequence, this report contains no further information on the effectiveness of these policies.

Greenhouse Gas Emissions

The Company has no Greenhouse Gas Emissions to report from its operations for the year ended 30 June 2019 and prior year, nor does it have responsibility for any other emissions producing sources (including those within the underlying investment portfolio).

Board Diversity

At 30 June 2019 there were three male and two female Directors, on the Board meeting the requirements of the Hampton–Alexander review, for 33% of women on the Board. The Company has no employees and is not required to report further on gender diversity.

By Order of the Board

Caroline Hitch

7 October 2019

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The financial statements are published on the www.ncim.co.uk website, which is a website maintained by the Company's Investment Manager. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair and balanced view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report and Directors' report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

We consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Caroline Hitch
Director

7 October 2019

Board of Directors and Investment Manager

Caroline Hitch

Independent Non-Executive Chair

Length of service: 1 year 7 months

Experience:
Caroline joined the board after working in the financial services industry since the early 1980s, mostly with the HSBC group. Her experience includes Head of Wealth Portfolio Management at HSBC Global Asset Management (UK) Ltd. with investment responsibility for their flagship multi asset retail funds. Prior roles included specialisation in institutional fixed income portfolio management. She has worked in London, Jersey, Monaco and Hong Kong.

Committee membership:

Audit and Risk Committee

Management Engagement Committee

Nomination Committee

Remuneration Committee

Remuneration: £40,000 per annum

Public company directorships: Schroder Asian Total Return Investment Company plc, Aberdeen Standard Equity Income Trust plc

Shared Directorships with any other Fund Directors: None

Shareholding in Company: 130,000 Ordinary Shares

Duncan Baxter

Senior Independent Non-Executive Director and Chair of the Management Engagement Committee

Length of service: 4 years 2 months.

Experience:
Duncan is a retired senior banker with over 25 years' experience of international banking, latterly as Managing Director of Swiss Bank Corporation in Jersey. Duncan is a Jersey resident.

Committee membership:
Audit & Risk Committee
Management Engagement Committee
Nomination Committee
Remuneration Committee

Remuneration: £27,500 per annum

Public company directorships:
Highland Gold Mining Limited

Shared Directorships with any other Fund Directors: None

Shareholding in Company: 109,412 Ordinary Shares

Wendy Dorman

Independent Non-Executive Director and Chair of the Audit and Risk Committee

Length of service: 3 years 6 months.

Experience:
Wendy is a chartered accountant with over 25 years' experience in tax within the financial services industry. Wendy's career encompassed time in practice and in industry, based initially in London and later in Jersey. She retired as partner in charge of the PwC Channel Islands tax practice in June 2015. Wendy served as President of the Jersey Society of Chartered and Certified Accountants from 2008 to 2010. Wendy is a Jersey resident.

Committee membership:
Audit and Risk Committee
Management Engagement Committee
Nomination Committee
Remuneration Committee

Remuneration: £34,000 per annum

Public company directorships:
3i Infrastructure plc
Jersey Electricity Plc

Shared Directorships with any other Fund Directors: None

Shareholding in Company: 112,000 Ordinary Shares

John Newlands

Independent Non-Executive Director and Chair of the Remuneration Committee

Length of service: 2 years.

Experience:
John has served more than 20 years' in the City, most recently with Brewin Dolphin Limited as Head of Investment Companies Research from 2007 to 2017. He was a member of the Association of Investment Companies Statistics' Committee from 2000 to 2017. He has an MBA from Edinburgh University Business School and is a Chartered Engineer. He is a member of the Investment Committee of Durham Cathedral. He has written four books about financial history, the most recent charting the history of Dunedin Income Growth Investment Trust.

Committee membership:

Audit and Risk Committee

Management Engagement Committee

Nomination Committee

Remuneration Committee

Remuneration: £27,500 per annum

Public company directorships: TOC Property Backed Lending Trust plc, Gabelli Merger Plus Trust plc

Shared Directorships with any other Fund Directors: None

Shareholding in Company: 10,000 Ordinary Shares

Ian Cadby

Independent Non-Executive Director and Chair of the Nomination Committee

Length of service: 2 years 8 months

Experience:

Ian has over 30 years' experience within the financial services industry in London, Hong Kong and Jersey with a strong career emphasis on risk management, corporate governance and board strategy. Ian is a Jersey resident.

Committee membership:

Audit and Risk Committee

Management Engagement Committee

Nomination Committee

Remuneration Committee

Remuneration: £27,500 per annum

Public company directorships:

Aberdeen Asian Income Fund Limited

Shared Directorships with any other Fund Directors: None

Shareholding in Company: 25,000 Ordinary Shares

Investment Manager

The Company appointed New City Investment Managers ("NCIM") as its Investment Manager with effect from launch. On 1 October 2007, NCIM joined the CQS Group, a global diversified asset manager running multiple strategies with, as at 31 August 2019, US$17.4 billion assets under management (including mandates with discretionary management, sub-investment discretionary management, investment advice, collateral management and intermediation) and becoming a group company. In 2014, NCIM's rights and obligations under the investment management agreement between the Company and NCIM were then novated to CQS Cayman Limited Partnership ("CQS"). Consequently, CQS became the Company's Investment Manager but, with the agreement of the Board, delegated that function to CQS (UK) LLP Trading Limited as NCIM.

With effect from 18 September 2019 the Company entered into a new investment management agreement to appoint CQS (UK) LLP as its Investment Manager. The previous investment management agreement with CQS was terminated. Further details are provided in Note 24 to the Financial Statement.

Ian Francis has day to day responsibility for managing the Company's portfolio and is supported by the CQS team.

He joined the NCIM team in 2007. He has over 35 years' investment experience, primarily in the fixed interest and convertible spheres, and his career has included Collins Stewart, West LB Panmure, James Capel and Hoare Govett.

Alternative Investment Fund Managers Directive ("AIFMD")

The Company has appointed CQS (UK) LLP, a subsidiary of CQS, as the Company's alternative investment fund manager ("AIFM"). The AIFM has received its approval from the FCA to act as AIFM of the Company, your Company is therefore fully compliant. An additional requirement of the AIFMD is for the Company to appoint a depositary, which will oversee the custody and cash arrangements and other AIFMD required depositary responsibilities. The Board has appointed HSBC Bank plc to act as the Company's depositary.

As part of the process the Investment Management Agreement has been updated and builds in the regulatory requirements arising as a result of the appointment of the AIFM.

Further AIFMD disclosures are shown on pages 52 and 53.

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 30 June 2019.

Corporate Governance

The Statement of Corporate Governance is set out on pages 18 and 19 and forms part of this Report.

Results and Dividends

Details of the Company's results and dividends are shown on page 2 of this report.

Principal Activity and Status

The Company is a closed-end investment company and was incorporated with limited liability in Jersey under the Companies (Jersey) Law 1991 on 17 January 2007, with registered number 95691. In addition, the Company constitutes and is regulated as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988 ("the Law"). The Company has obtained a certificate under the Law from the Jersey Financial Services Commission to operate as a Collective Investment Fund.

The Company's ordinary shares are listed on the Official List of the Financial Conduct Authority and trade on the London Stock Exchange's main market.

The Company is a member of The Association of Investment Companies ("AIC").

Share Capital

As at 1 July 2018 there were 400,951,858 ordinary shares in issue.

The Company issued a further 21,450,000 shares in the year to 30 June 2019. Full details of these transactions are shown in note 13 on page 39 of this report. Following these allotments there are now 422,401,858 ordinary shares in issue as at 30 June 2019. A further 3,200,000 shares have been issued since the year end.

Bank Facilities

The Company has a short term unsecured loan facility with Scotiabank Europe Plc ("Scotiabank"). As at the year end the unsecured loan facility had a limit of £35 million of which £28 million was drawn down. The maturity date of the facility is 18 December 2020.

Investment Management

As part of its strategy for achieving its objectives, the Board has delegated the management of the investment portfolio to CQS Cayman Limited Partnership, which in turn has delegated management to CQS Investment Management Limited trading as New City Investment Managers ("NCIM") with Ian Francis as the lead fund manager. With effect from 18 September 2019 CQS (UK) LLP was appointed as the Company's Investment Manager. Further details are provided on Note 24.

At each Board meeting, the Board receives a presentation from the Investment Manager which includes a review of investment performance, portfolio activity and market outlook. The stock selection emphasis adopted by the Investment Manager is on each holding's unique characteristics rather than any benchmark weightings.

Appointment of the Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually by the Management Engagement Committee. As part of the annual review the Management Engagement Committee considers the continuity of the team, the investment process and the results achieved to date.

The Board believes that the continuing appointment of CQS as AIFM, and Investment Manager with effect from 18 September 2019, on the terms announced on 23 September 2019 and set out on page 46, is in the interests of shareholders as a whole.

Administration Services

Company Secretarial Services are provided by R&H Fund Services (Jersey) Limited. Administration functions, including UK compliance oversight, has been delegated to Maitland Administration Services (Scotland) Limited. Custody and settlement services are undertaken by HSBC Bank plc. BNP will be appointed as the Company's Secretary and Administrator on 15 October 2019. BNP will also replace HSBC Bank Plc as the Depositary, Custodian and Banker from the same date. Further details are provided in Note 24.

The Board has delegated the exercise of voting rights attaching to the Company's investments to the Investment Manager.

All other matters are reserved for the approval of the Board.

Substantial Interests in Share Capital

At 30 June 2019 the only persons known to the Company who, directly or indirectly, were interested in 3 percent or more of the Company's issued share capital were as follows:

	Number of Ordinary Shares Held	Percentage Held
Hargreaves Lansdown Stockbrokers	57,256,109	13.55
Brewin Dolphin Limited	43,026,175	10.13
James Sharp, Stockbrokers	31,573,662	7.47
Alliance Trust Savings	21,491,952	5.09
Canaccord Genuity Wealth Management	19,132,789	4.53
Interactive Investor	17,743,294	4.20
AJ Bell, Stockbrokers	15,687,388	3.71
Charles Stanley	15,659,305	3.71
Tilman Brewin Dolphin	15,462,600	3.66
HSDL Stockbrokers	14,425,775	3.42
Redmayne Bentley Stockbrokers	14,039,038	3.32

The shareholdings listed above refer to funds managed on behalf of clients of the groups named.

Directors' Remuneration Policy and Report

Among the resolutions being put to the Annual General Meeting as Ordinary Business, Resolution 2 is to approve the Directors' Remuneration Policy. This is a requirement and the vote is binding. It is also mandatory for listed companies to put their Directors' Remuneration Report to an advisory shareholder vote, Resolution 3 seeks to approve the Directors' Remuneration Report.

Continuation Vote

In accordance with the Articles of Association ("Articles") an ordinary resolution, Resolution 7, will be proposed at the Annual General Meeting to continue the Company as an investment company. In the event that the resolution is not passed the Board would put forward further proposals at an extraordinary general meeting to liquidate or reconstruct the Company.

Directors' Authority to Allot Shares

Under the Articles the Directors are required to seek a disapplication of pre-emption rights from shareholders before issuing new shares on a non pre-emptive basis. In order to continue with its programme of new share issues, your Board is therefore also proposing that the annual disapplication of pre-emption rights authority is given to the Directors so that they may continue to issue shares as and when appropriate is renewed. Accordingly, Resolution 9 proposes a renewal of the disapplication of the pre-emption rights in respect of 10% of the ordinary shares in issue, set to expire on the earlier of eighteen months from the date of the resolution or at the conclusion of the Annual General Meeting to be held in 2020.

New ordinary shares will not be issued at a price less than the prevailing net asset value per ordinary share, after taking into account any costs incurred by the Company in connection with such issue. Any issues of new ordinary shares will be carried out in accordance with the Listing Rules.

Directors' Authority to Buy Back Shares

The current authority of the Company to make purchases of up to approximately 14.99 per cent of its issued capital expires at the end of the Annual General Meeting and Resolution 9 seeks renewal of such authority until the next Annual General Meeting (or the expiry of fifteen months from the date of the passing of the resolution, if earlier). The maximum and minimum prices to be paid for shares are set out in Resolution 9. This power will be exercised only if, in the opinion of the Directors, a repurchase would result in an increase in net asset value per share and would be in the best interests of shareholders as a whole. Any shares purchased under this authority will either be held in treasury or cancelled.

Statement Regarding Annual Report and Financial Statements

Following a detailed review of the Annual Report and Financial Statements by the Audit and Risk Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment industry in general and the investment companies in particular.

Dividend Policy

Subject to market conditions and the Company's performance, financial position and financial outlook, it is the Directors' intention to pay an attractive level of dividend income to Shareholders on a quarterly basis. The Company intends to continue to pay all dividends as interim dividends. A resolution to approve this dividend policy will be proposed at the Annual General Meeting.

Disclosure of Information to the Auditor

The Directors confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they might have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

KPMG LLP were appointed as auditor to the Company in 2007. Following a tender process in 2016 KPMG LLP was subsequently reappointed and remained in office until 17 June 2019. Following the resignation of KPMG LLP on 17 June 2019 KPMG Channel Islands Limited was appointed as the Company's auditor effective 17 June 2019.

A resolution to re-appoint KPMG Channel Islands Limited as the Company's auditor will be proposed at the Company's 2019 Annual General Meeting.

Recommendation

The Directors consider that the passing of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole and is most likely to promote the success of the Company for the benefit of the shareholders as a whole. The Directors unanimously recommend that all shareholders vote in favour of those resolutions.

By Order of the Board

Caroline Hitch

7 October 2019

Statement of Corporate Governance

Introduction

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the UK Corporate Governance Code published in April 2016 (the "Governance Code"), which is available on the Financial Reporting Council's website: www.frc.org.uk. The Governance Code covers in particular the annual re-appointment of Directors, Board diversity, external evaluation, the Board's responsibilities in relation to risk, and a clear explanation of business model and strategy.

The Association of Investment Companies has also published a Code of Corporate Governance ("AIC Code") and a Corporate Governance Guide for Investment Companies ("AIC Guide") which are available on the AIC's website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

Following the publication in July 2018 of a new version of the UK Code, in February 2019, the AIC issued a new AIC Code of Corporate Governance that has been endorsed by the Financial Reporting Council. For the Company's financial year ending 30 June 2020 the Company will report against the new AIC Code.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Governance Code), will provide better information to shareholders.

There is no standard Code of Corporate Governance in Jersey, where the Company is incorporated.

Application of the Principles of the Codes

The Company has complied with the provisions of the AIC Code and the Governance Code, except for the Governance Code provisions relating to:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function

As indicated by the AIC Code the above exceptions are not believed to be applicable to an externally managed investment company.

The Board

The Board currently consists of a non-executive Chair and four non-executive Directors.

In view of the requirement in the Articles of Association that all Directors retire by rotation, the Board has agreed that any Director with over nine years service will retire and, if appropriate, will seek re-election annually. Otherwise Directors will retire and seek re-election every three years. For the purposes of assessing compliance with the UK Corporate Governance Code, the Board considers all of the Directors as independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Wendy Dorman will stand for re-election at the Annual General Meeting.

New Directors receive an induction from the Company Secretary and Administrator on joining the Board, and all Directors receive other relevant training as necessary.

The basis on which the Company agrees to generate value over the longer term is set out in its objective and investment policy as contained within the Business Review.

The Company has no executive Directors or employees. A management agreement between the Company and its Investment Manager sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing and corporate governance procedures, are reserved for the approval of the Board.

Duncan Baxter is the Company's Senior Independent Director. He is available to shareholders if they have concerns where contact through the normal channels of the Chair or the Investment Manager is inappropriate.

Directors have attended Board and Committee meetings during the year ended 30 June 2019 as follows (with their eligibility to attend the relevant meeting in brackets):

	Board meetings	Audit and Risk Committee meetings	Management Engagement, Remuneration and Nomination Committee meetings
C Hitch (Chair)	5 (5)	3 (3)	1 (1)
D A H Baxter	4 (5)	3 (3)	1 (1)
W Dorman	5 (5)	3 (3)	1 (1)
I Cadby	4 (5)	3 (3)	1 (1)
J E Newlands	5 (5)	3 (3)	1 (1)
J G West	2 (2)	1 (1)	1 (1)

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the Investment Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board has put in place necessary procedures to conduct, on an annual basis, a performance evaluation of the Board as a whole and the Board Committees, including the Audit and Risk

Committee. This was conducted through completion of evaluation questionnaires. There were no significant actions arising from the evaluation process and it was agreed that the current composition of the Board and its committees reflected a suitable mix of skills and experience and that the Board as a whole, the individual Directors and its Committees were functioning effectively.

Management Engagement Committee

The Management Engagement Committee, which is chaired by Duncan Baxter, operates within clearly defined terms of reference which are available on request, comprises the full Board, and reviews the appropriateness of the Investment Manager's continuing appointment together with the terms and conditions thereof, and to review the terms and quality of service received from other service providers.

The Board ensures the Company adheres to independent requirements in all agreements and service contracts.

Nomination Committee

The Nomination Committee, which is chaired by Ian Cadby, operates within clearly defined terms of reference which are available on request, comprises the full Board and is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

Remuneration Committee

The Remuneration Committee determines and agrees with the Board the policy for the remuneration of all Directors. It is chaired by John Newlands.

Diversity

The Board believes in the benefits of having a diverse range of skills and backgrounds, and the need to have a balance of experience, independence, diversity, including gender, and knowledge of the Company on its Board of Directors.

Exercise of Voting Powers

The Investment Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights in respect of investee companies. The underlying aim of exercising such voting rights is to protect the return from an investment.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Financial Statements are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's website. The Company responds to letters from shareholders on a wide range of issues.

A regular dialogue is maintained with the Company's institutional shareholders.

The Notice of the Annual General Meeting included within the Annual Report and Financial Statements is sent out 20 working days in advance of the meeting. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

By Order of the Board

R&H Fund Services (Jersey) Limited
Secretary

Ordnance House, 31 Pier Road
St. Helier, Jersey, JE4 8PW

7 October 2019

Report of the Audit and Risk Committee

Composition of the Audit and Risk Committee

An Audit and Risk Committee has been established with written terms of reference and comprises five non-executive Directors, Wendy Dorman (Chair), Duncan Baxter, Ian Cadby, John Newlands and Caroline Hitch. The Audit and Risk Committee members have recent and relevant financial experience. The terms of reference of the Audit and Risk Committee are reviewed and re-assessed for their adequacy on an annual basis and are available on request.

Role of the Audit & Risk Committee

A summary of the Committee's main audit review functions is shown below:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager, the Company Secretary and the UK Administrator;
- to meet with the external Auditor, KPMG Channel Islands Limited ("KPMG") to review their proposed audit programme of work and their findings. The Board shall also use this as an opportunity to assess the effectiveness of the audit process;
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor;
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification; and
- to consider and approve all non-audit services. No non-audit services are pre-approved.

Annual Report and Financial Statements

The Board of Directors are responsible for preparing the Annual Report and financial statements. The Audit and Risk Committee advises the Board on the form and content of the Annual Report and financial statements, any issues which may arise and any specific areas which require judgement.

The valuation of investments was an area of focus given their significance to the financial statements as a whole and these were specifically reviewed by the Audit and Risk Committee. Following discussion with the Investment Manager, the Audit and Risk Committee gained comfort over the valuation as included in the Annual Report and Financial Statements.

Auditor

As part of its review of the scope and results of the audit, during the year the Audit and Risk Committee considered and approved KPMG's plan for the audit of the financial statements for the year ended 30 June 2019. At the conclusion of the audit KPMG did not highlight any issues to the Audit and Risk Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. KPMG issued an unqualified audit report which is included on pages 24 to 27.

As part of the review of auditor independence and effectiveness, KPMG has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating KPMG, the Audit and Risk Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit and Risk Committee, from direct observation and enquiry of the Investment Manager and the UK Administrator, remains satisfied that KPMG continues to provide effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the audit partner rotates after five years. The current audit partner is in the first year of his appointment. KPMG LLP were auditors of the Company since the first year end 30 June 2008. In the interests of good governance, the Audit and Risk Committee carried out a tender process in 2016 and KPMG LLP were successfully re-appointed.

KPMG LLP subsequently resigned as the Company's auditors on 17 June 2019 and was replaced, with effect from 17 June 2019 by KPMG Channel Islands Limited.

The main areas of accounting risk considered by the Committee during the year in relation to the Company's financial statements were the valuation and ownership of investments held by the Company.

The valuation of investments is undertaken in accordance with the accounting policies as set out in note 1. Details of the fair value hierarchy are set out in note 22.

In order to address these risks the Company have appointed an Investment Manager and Custodian with clearly defined contracts and any breaches of these, or any law or regulation to Company is required to comply with, are reported to the Board. The portfolio holdings and their pricing is reviewed on a daily basis and verified by the Investment Manager. A full portfolio is prepared for each Board meeting, including a detailed movement of the top 60 holdings, which is actively commented on and discussed by the Directors.

The Company also receives regular reporting on internal controls (as detailed below).

Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication of the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code" (the "FRC Guidance") the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and is regularly reviewed by the Board and accords with the FRC Guidance.

The Board has reviewed the effectiveness of the system of internal control. A comprehensive review has been undertaken during the year of the Company's policies and procedures, and the risk management processes, and these have been updated and strengthened in some areas. The significant risks faced by the Company are as follows:

- financial;
- operational; and
- compliance.

The key components designed to provide effective internal control are outlined below:

- R&H Fund Services (Jersey) Limited as Company Secretary and Maitland Administration Services (Scotland) Limited as UK Administrator together with the Investment Manager prepare forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Investment Manager as appropriate;
- as a matter of course the Investment Manager's compliance department continually reviews the Investment Manager's operations and reports to the Board on a quarterly basis;
- written agreements are in place which specifically define the roles and responsibilities of the Investment Manager, Company Secretary, UK Administrator and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Investment Manager, the Company Secretary and the UK Administrator, has decided to place reliance on the Investment Manager's, the Company Secretary's and the UK Administrator's systems and internal audit procedures.

At its 19 September 2019 meeting, the Audit and Risk Committee carried out an annual assessment of internal controls for the year ended 30 June 2019 by considering documentation from the Investment Manager, the Company Secretary and UK Administrator, including the internal audit and compliance functions and taking account of events since 30 June 2018. The results of the assessment were then reported to the Board.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

As mentioned in the Statement from the Chair, a decision has been made to appoint BNP as the Company Secretary, Administrator, Custodian, Depositary and Banker with effect from 15 October 2019. The Board considers the appointment will enhance operational efficiency and the control environment. Work is ongoing to ensure a smooth transition.

The principal risks and uncertainties affecting the Company are disclosed on pages 9 and 10.

Wendy Dorman

Chairman of the Audit and Risk Committee

7 October 2019

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee, which is chaired by John Newlands, operates within clearly defined terms of reference which are available on request. The Committee comprises the full Board.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is shown below.

An ordinary resolution for the approval of this Report will be put to the members at the forthcoming Annual General Meeting.

Policy on Directors' Remuneration

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £250,000 per annum. Subject to this overall limit, it is the Company's policy that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant investment companies that are similar in size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee properly the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ending 30 June 2020 and subsequent years.

On 22 May 2019, the Board approved an increased level of remuneration for the Directors with effect from 1 July 2019 as follows:

Chair	£40,000
Audit Chair	£34,000
Other	£27,500

This increase maintains the remuneration at a competitive level to the Company's peers.

No element of the Directors' remuneration is performance-related.

The Company's Articles of Association provide that Directors shall not remain in office for longer than three years without submitting themselves for re-election.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment.

The terms of Directors' appointments provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment. Directors are obliged to retire by rotation, and may offer themselves for re-election by shareholders at least every three years after that. Directors with a tenure of 9 years or over will retire and seek re-election annually. There is no notice period and no provision for compensation upon early termination of appointment.

Director	Date of Appointment	Due date for re-election
D A H Baxter	31 July 2015	AGM 2021
I Cadby	18 January 2017	AGM 2020
W Dorman	2 March 2016	AGM 2019
C Hitch	15 March 2018	AGM 2021
J E Newlands	5 October 2017	AGM 2020

Annual Report on Directors' Remuneration

Directors' Emoluments

The Directors who served in the year received the following fees:

	2019 £	2018 £
C Hitch (Chair)[3]	32,312	7,711
D A H Baxter	26,000	25,500
I Cadby	26,000	25,500
A J R Collins[1]	–	11,223
W Dorman (Audit and Risk Committee Chair)	31,250	31,250
J E Newlands	26,000	19,042
J G West[2]	16,164	37,500
Totals	**157,726**	**157,726**

[1] Retired from the Board on 12 December 2017.
[2] Retired from the Board on 14 December 2018.
[3] Appointed to the Board on 15 March 2018.

The amounts paid by the Company to the Directors were for services as non-executive Directors.

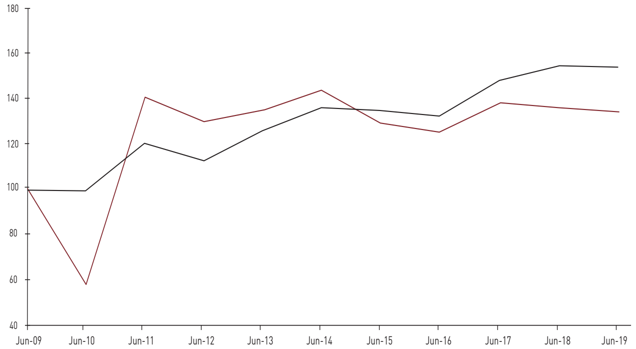
As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Directors' Report on page 16.

The graph below illustrates the total shareholder return for a holding in the Company's shares as compared to the FTSE 100 for the ten year period to 30 June 2019. The Company considers this to be an appropriate index against which to assess the Company's performance, in the absence of a meaningful benchmark index.

Share Price Total Return versus FTSE 100 Index Total Return



Source: Maitland Administration Services (Scotland) Limited

— CQS New City High Yield Fund Limited — FTSE 100

The Directors who held office at the year end and their interests in the Ordinary Shares of the Company were as follows:

	At 30 June 2019 Ordinary shares	At 30 June 2018 Ordinary shares
D A H Baxter	109,412	109,412
I Cadby	25,000	25,000
W Dorman	112,000	64,000
C Hitch	130,000	92,000
J Newlands	10,000	10,000

There has been no change in the ordinary share holdings of the Directors between 30 June 2019 and signing date.

Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 14 December 2018, shareholders approved the Directors' Remuneration Policy and the Directors' Remuneration Report in respect of the year ended 30 June 2018. 98.7% and 98.7% were in favour of the resolutions respectively and 1.3% and 1.3% were against.

An ordinary resolution for the approval of this Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming Annual General Meeting.

An ordinary resolution for the approval of the Directors' Remuneration Policy will be put to a binding shareholder vote at the forthcoming Annual General Meeting.

Approval

The Directors' Remuneration Report on pages 22 and 23 was approved by the Board of Directors and signed on its behalf on 7 October 2019.

On behalf of the Board

Caroline Hitch
Chair

Independent auditor's report

to the members of CQS New City High Yield Fund Limited

Our opinion is unmodified

We have audited the financial statements of CQS New City High Yield Fund Limited (the "Company") which comprise the Balance Sheet as at 30 June 2019, the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2019, and of its financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law, 1991.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key Audit Matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows:

	The risk	Our response
Valuation of investments £253m; (2018: £253m) Refer to page 20 (Report of the Audit & Risk Committee), note 1(a) and 1(b) (accounting policy) and Notes 16 (financial instruments) and 22 (fair value hierarchy).	Investments makes up 96.2% of the Company's total assets (by value) and is the key driver of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they primarily comprise listed/quoted investments. However, due to their magnitude in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included but were not limited to: **Use of KPMG specialist:** We engaged our valuation specialist to - Agree the valuation of listed/quoted investments in the portfolio to externally listed/quoted prices; and - Derive independent valuations for unquoted investments using discounted cash flow models. For unquoted investments not priced by our valuation specialists, we obtained independent confirmations of prices from third party brokers. **Assessing disclosures:** We also considered the Company's disclosures (see note 1 – critical accounting estimates and judgements) in relation to the use of estimates and judgements regarding the valuation of Investments and the Company's investment valuation policies adopted in note 16 and fair value disclosures in note 22 for compliance with IFRS as adopted by the EU.

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £2.6m, determined with reference to a benchmark of total assets of £263m, of which it represents 1% (2018: 1%).

In addition, we applied a lower materiality of £1.8m, to the income balance for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Company.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £131,000 (2018: £130,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in this respect.

We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

KPMG

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement (page 10) that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks and Uncertainties and Risk Mitigation disclosures describing these risks and explaining how they are being managed or mitigated; and
- the Directors' explanation in the Viability Statement (page 10) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Statement of Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review.
We have nothing to report to you in these respects.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 12, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven David Stormonth
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognized Auditors, Jersey

7 October 2019

Income Statement

For the year ended 30 June 2019

	Notes	Year ended 30 June 2019 Revenue £'000	Capital £'000	Total £'000	Year ended 30 June 2018 Revenue £'000	Capital £'000	Total £'000
Capital gains/(losses) on investments							
Losses on investments	9	–	(10,195)	(10,195)	–	(5,449)	(5,449)
Exchange gains		–	127	127	–	220	220
Revenue							
Income	2	21,024	–	21,024	20,033	–	20,033
		21,024	(10,068)	10,956	20,033	(5,229)	14,804
Expenses							
Investment management fee	3	(1,490)	(496)	(1,986)	(1,478)	(493)	(1,971)
Other expenses	4	(716)	(99)	(815)	(656)	(192)	(848)
Total expenses		(2,206)	(595)	(2,801)	(2,134)	(685)	(2,819)
Profit/(loss) before finance costs and taxation		18,818	(10,663)	8,155	17,899	(5,914)	11,985
Finance costs							
Interest receivable		11	–	11	5	–	5
Interest payable and similar charges	5	(390)	(131)	(521)	(282)	(94)	(376)
Profit/(loss) before taxation		18,439	(10,794)	7,645	17,622	(6,008)	11,614
Irrecoverable withholding tax	6	(76)	–	(76)	(137)	–	(137)
Profit/(loss) after taxation		18,363	(10,794)	7,569	17,485	(6,008)	11,477
Earnings per ordinary share (pence)	8	4.49	(2.64)	1.85	4.54	(1.56)	2.98

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS (refer to note 1). The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

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

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

No operations were acquired or discontinued in the year.

The accompanying notes on page 32 to 46 are an integral part of these financial statements.

Balance Sheet

As at 30 June 2019

	Notes	As at 30 June 2019 £'000	As at 30 June 2018 £'000
Non-current assets			
Investments held at fair value	9	**253,034**	**253,081**
Current assets			
Debtors and other receivables	10	**4,186**	4,298
Cash at bank		**5,837**	3,850
		10,023	8,148
Total assets		**263,057**	261,229
Current liabilities			
Bank loan	11	**(28,000)**	(28,000)
Brokers and other payables	12	**(1,930)**	(2,161)
Total liabilities		**(29,930)**	(30,161)
Net assets		**233,127**	231,068
Stated capital and reserves			
Stated capital account	13	**191,007**	178,424
Special distributable reserve		**50,385**	50,385
Capital reserve		**(25,559)**	(14,765)
Revenue reserve		**17,294**	17,024
Equity shareholders' funds		**233,127**	231,068
Net asset value per ordinary share (pence)	15	**55.19p**	57.63p

The financial statements on pages 28 to 46 were approved by the Board of Directors and authorised for issue on 7 October 2019 and were signed on its behalf by:

Caroline Hitch
Chair

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Stated capital account* £'000	Special distributable reserve‡ £'000	Capital reserve* £'000	Revenue reserve† £'000	Total £'000
At 1 July 2018		178,424	50,385	(14,765)	17,024	231,068
Total comprehensive income for the year:						
Profit for the year		–	–	(10,794)	18,363	7,569
Transactions with owners recognised directly in equity:						
Dividends paid	7	–	–	–	(18,093)	(18,093)
Net proceeds from issue of shares	13	12,583	–	–	–	12,583
At 30 June 2019		191,007	50,385	(25,559)	17,294	233,127

For the year ended 30 June 2018

	Notes	Stated capital account* £'000	Special distributable reserve‡ £'000	Capital reserve* £'000	Revenue reserve† £'000	Total £'000
At 1 July 2017		159,647	50,385	(8,757)	16,400	217,675
Total comprehensive income for the year:						
Profit for the year		–	–	(6,008)	17,485	11,477
Transactions with owners recognised directly in equity:						
Dividends paid	7	–	–	–	(16,861)	(16,861)
Net proceeds from issue of shares	13	18,777	–	–	–	18,777
At 30 June 2018		178,424	50,385	(14,765)	17,024	231,068

The accompanying notes on pages 32 to 46 are an integral part of these financial statements.

* Following a change in Jersey Company Law 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.

‡ The balance on the special distributable reserve of £50,385,000 (2018: £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.

† The balance on the revenue reserve of £17,294,000 (2018: £17,024,000) is available for paying dividends.

Cash Flow Statement

For the year ended 30 June 2019

	Notes	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Operating activities			
Profit before finance cost and taxation		8,155	11,985
Losses on investments		10,195	5,449
Effective interest adjustment to cost		(464)	(837)
Exchange gains		(127)	(220)
(Decrease)/increase in other receivables		112	(283)
Increase/(decrease) in other payables		5	(10)
Net cash inflow from operating activities before interest and taxation		17,876	16,084
Irrecoverable withholding tax paid		(76)	(137)
Net cash inflow from operating activities		17,800	15,947
Investing activities			
Purchases of investments		(51,035)	(78,028)
Sales of investments		41,115	54,335
Net cash outflow from investing activities		(9,920)	(23,693)
Financing			
Equity dividends paid	7	(18,093)	(16,861)
Drawdown of bank loan facility		–	3,000
Loan interest paid		(510)	(371)
Issue of ordinary shares	13	12,583	18,777
Net cash (outflow)/inflow from financing		(6,020)	4,545
Increase/(decrease) in cash and cash equivalents		1,860	(3,201)
Cash and cash equivalents at the start of the year		3,850	6,831
Cashflow		1,860	(3,201)
Bank overdraft movement		–	–
Exchange gains		127	220
Cash and cash equivalents at the end of the year		5,837	3,850

The accompanying notes on pages 32 to 46 are an integral part of these financial statements.

Notes to the Financial Statements

1 Accounting Policies

(a) Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the guidance set out in the Statement of Recommended Practice ("SORP"): Financial Statements of Investment Trust Companies and Venture Capital Trusts issued by the AIC in November 2014 and updated in January 2017 and March 2018 with consequential amendments. Notwithstanding that CQS New City High Yield Fund Limited (the "Company") is not an investment trust company, given the purpose of the Company and certain similar characteristics, the Company has chosen to follow the guidance set out in the SORP where it is consistent with the requirements of IFRS.

The functional and reporting currency of the Company is pounds sterling because that is the primary economic environment in which the Company operates. The notes and financial statements are presented in pounds sterling and are rounded to the nearest thousand except where otherwise indicated.

The financial statements of the Company have been prepared on a going concern basis, on the assumption the continuation vote is passed by Shareholders at the forthcoming Annual General Meeting. Given the strong demand seen for the Company's shares the Directors are confident the continuation vote will be passed.

The financial statements have been prepared on the historical cost basis, except that investments are stated at fair value and categorised as financial assets at fair value through profit or loss.

Accounting Developments

The following standards were adopted during the financial year.

International Financial Reporting Standards

IFRS 9 Classification and measurement of financial assets after initial recognition

IFRS 15 Revenue from contracts with customers

The Directors consider that IFRS 9 and IFRS 15 have not had any material impact on the financial position or performance of the Company. IFRS 9 did not have any material impact on the Company's financial statements as presented for the current year as, under IFRS 9, the Company continues to manage and account for the financial instruments held at fair value as it has done in the past. IFRS 15 did not have any material impact on the Company's financial statements as presented for the current year as the overwhelming majority of the Company's revenue consists of income from investment which is outside the scope of IFRS 15.

The following accounting standards and their amendments were in issue at the year end but will not be in effect until after this financial year.

International Financial Reporting Standards	Effective date*
IFRS 3 Business Combinations (amendment)	1 January 2020**
IFRS 16 Leases	1 January 2019
International Accounting Standards	
IAS 28 Investments in Associates and Joint Ventures (Amendments relating to long term interests in associates or joint venture)	1 January 2019
IFRIC Interpretations	
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual improvements to IFRS 2015-2017 Cycle	1 January 2019

*Years beginning on or after

**Not yet endorsed for use in the EU

The Directors do not expect that the adoption of other standards listed above will have a material impact on the financial statements of the Company in future periods.

Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates.

The valuation of investments involves estimation and judgements. The major part of the investment portfolio is valued by reference to listed/quoted prices, however the portfolio also comprises investment securities which are thinly traded. Such investments are best valued by reference to current market price lists provided by an independent broker. The Directors may overlay such prices with situation specific adjustments including (a) taking a second independent opinion on a specific investment, or (ii) reducing the value to a net present value, to reflect the likely time to be taken to realise a stock which the Company is actively looking to sell. The outturn is reflected in the valuations of investments as set out in Note 22 to the financial statements.

There were no other significant accounting estimates or significant judgements in the current or previous year.

A summary of the principal accounting policies which have been applied to all periods presented in these financial statements is set out below.

(b) Investments

Investments which comprise equity shares, convertible bonds and fixed income securities, are classified as held at fair value through profit or loss as the investments are managed and their performance evaluated on a fair value basis in accordance with the Company's investment strategy and this is also the basis on which information about investments is provided internally to the Board.

Purchases or sales of investments are recognised/derecognised on the date the Company trades the investments. On initial recognition investments are classified as fair value through profit or loss with any resultant gain or loss, including any gain or loss arising from a change in exchange rates, recognised in the Income Statement. For listed securities this is either the bid price or last traded price, depending on the convention of the exchange on which the investment is listed, adjusted for accrued income where it is reflected in the market price.

Investments which are not listed or where trading in the securities of an investee company is suspended are valued at the Board's estimate of fair value in accordance with International Private Equity and Venture Capital (IPEV) valuation guidance. Unquoted investments are valued by the Directors on the basis of all the information available to them at the time of valuation. This includes a review of the financial and trading information of the Company, covenant compliance, ability to pay the interest due and cash held. For convertible bonds this also includes consideration of their discounted cash flows and underlying equity value based on information provided by the Investment Manager.

(c) Income

Dividends receivable on equity shares (including preference shares) are recognised as income on the date that the related investments are marked ex-dividend. Dividends receivable on equity shares where no ex-dividend date is quoted are recognised as income when the Company's right to receive payment is established.

Dividends from overseas companies are shown gross of any non-recoverable withholding taxes which are disclosed separately in the Income Statement.

Fixed returns on non-equity shares and debt securities (including preference shares) are recognised on a time apportioned basis so as to reflect the effective interest rate on those instruments. Other returns on non-equity shares are recognised when the right to the return is established.

Income from deposit interest is recognised on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital reserve.

(d) Expenses, including finance charges

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are charged to the capital reserve.
- expenses which are incidental to the disposal of an investment charged to the capital reserve;
- the Company charges 25 per cent of investment management fees and interest costs to capital, in line with the Board's expected long term return in the form of capital gains and income respectively from the investment portfolio of the Company. For further details refer to notes 3 and 5;
- expenses incurred in connection with the maintenance or enhancement of the value of the investments or for the long term benefit of the Company are charged to capital; and
- the tax charge of the Company consists solely of withholding tax suffered on income from investments deducted at source.

(e) Foreign currencies

Transactions denominated in foreign currencies are recorded in the functional currency at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported in sterling at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in the Income Statement.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and bank overdrafts.

(g) Bank borrowings

Interest bearing bank loans are recorded at amortised cost.

(h) Reserves

(a) Capital reserve. Following a change in Jersey Company law effective 27 June 2008, dividends can be paid out of any capital account of the Company subject to certain solvency restrictions. It is the Company's policy however to account for revenue items and pay dividends through a separate revenue reserve. The following are accounted for in the Capital reserve:

- gains and losses on the realisation of investments;
- realised and unrealised exchange differences of a capital nature;
- expenses and finance costs charged in accordance with the policies above; and
- increases and decreases in the valuation of investments held at the period end.

(b) Special distributable reserve. This reserve 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 (see note 7) and the payment of preliminary expenses.

(c) Revenue reserve. The net profit/(loss) arising in the revenue column of the income statement is added to or deducted from this reserve and is available for paying dividends.

(i) Treasury shares

When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from the stated capital account. When these shares are sold subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from the stated capital account.

(j) Segmental information

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

2 Income

	2019 £'000	2018 £'000
Income from investments*		
UK Dividend income	1,552	1,175
UK Interest on fixed interest securities†	12,764	14,559
Overseas divided income	52	969
Overseas interest in fixed interest securities†	6,656	3,330
Total income	21,024	20,033
Income from investments		
Quoted	19,929	19,773
Unquoted	1,095	260
	21,024	20,033

*All investment income arises on investments valued at fair value through profit or loss.
†Fixed interest securities include both fixed and floating rate securities.

3 Investment Management Fee

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Investment management fee	1,490	496	1,986	1,478	493	1,971

The Company's Investment Manager is CQS Cayman Limited Partnership ("CQS") which in turn has delegated this function to New City Investment Managers ("NCIM"). The contract between the Company and CQS may be terminated by either party giving not less than 12 months' notice of termination. CQS receives 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. The balance due to CQS for management fees at the year end was £165,000 (2018: £169,000). With effect from 18 September 2019 there was a change in the management fee. Details are provided in Note 24.

Investment management fees have been allocated 25 per cent to capital and 75 per cent to revenue.

4 Other Expenses

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Secretarial and administration fees	168	–	168	167	–	167
Directors' fees	158	–	158	158	–	158
Auditors' remuneration for:						
– audit services	36	–	36	22	–	22
Broker fees	39	–	39	30	–	30
Printing	16	–	16	15	–	15
Bank and custody charges	53	–	53	54	–	54
Registrars' fees	31	–	31	32	–	32
Depositary fees	50	–	50	60	–	60
Legal & professional fees	62	–	62	13	–	13
Other	103	99	202	105	192	297
	716	99	815	656	192	848

The Company has an agreement with R&H Fund Services (Jersey) Limited ("R&H") to provide company secretarial services to the Company.

As part of the Company's administration arrangements, the accounting, valuation, UK compliance oversight and certain other administrative services are delegated by the Administrator to Maitland Administration Services (Scotland) Limited (MASS) ("UK Administrator"). During the year, the UK Administrator was entitled to a fixed fee of £130,000 per annum and a variable fee of 0.01 per cent per annum of the Company's total assets (less current liabilities excluding any bank borrowings) in excess of £200 million. The Administration Agreement may be terminated by either party giving to the other not less than 12 months' notice.

With effect from 15 October 2019, BNP Paribas Securities Services S.C.A. Jersey Branch ("BNP") will be appointed as the Company Secretary and Administrator. Further details are provided in Note 24, Subsequent Events.

The total fees paid under these agreements were £33,000 (2018: £33,000) to R&H and £135,000 (2018: £134,000) to MASS. There was £8,000 fees due to R&H at the year end (2018: £7,500).

The remuneration of the Chair, the highest paid Director, remained unchanged during the year under review at £37,500 (2018: £37,500). Further details are provided in the Directors' Remuneration Report on pages 22 and 23.

No pension contributions were payable in respect of any of the Directors.

The Company does not have any employees.

5 Interest Payable and Similar Charges

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Bank loan	390	131	521	282	94	376

Interest payable on the bank loan (see note 11) has been allocated 25 per cent to capital and 75 per cent to revenue.

6 Taxation

The taxation charge for the year is comprised of:

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Irrecoverable withholding tax suffered	76	–	76	137	–	137

The taxation on profit differs from the theoretical expense that would apply on the Company's profit before taxation using the applicable tax rate in Jersey of zero per cent (2018: 0%) as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	7,645	11,614
Theoretical tax expense at zero per cent (2018: 0%)	–	–
Effects of:		
Foreign withholding tax	76	137
Current year revenue tax charge	76	137

7 Dividends

	Payment date	2019 Revenue £'000	2018 Revenue £'000
Amounts recognised as distributions to equity holders in the year:			
Dividends in respect of the year ended 30 June 2018			
– Fourth interim of 1.45p (2017: 1.45p) per ordinary share	31 August 2018	5,814	5,392
Dividends in respect of the year ended 30 June 2019			
– First interim of 1.0p (2018: 0.99p) per ordinary share	30 November 2018	4,045	3,736
– Second interim of 1.0p (2018: 0.99p) per ordinary share	28 February 2019	4,065	3,854
– Third interim of 1.0p (2018: 0.99p) per ordinary share	31 May 2019	4,169	3,879
		18,093	16,861
Distributions to equity holders after the year end:			
Dividends in respect of the year ended 30 June 2019			
– Fourth interim of 1.45p per ordinary share	30 August 2019	6,147	–
Dividends in respect of the year ended 30 June 2018			
– Fourth interim of 1.45p per ordinary share	31 August 2018	–	5,814

In accordance with IFRS dividends paid to the Company's shareholders are recognised when they become payable, consequently the fourth interim dividend has not been included as a liability in these financial statements and will be recognised in the period in which it is paid.

8 Earnings per Ordinary Share

	2019 Revenue pence	2019 Capital pence	2019 Total pence	2018 Revenue pence	2018 Capital pence	2018 Total pence
Earnings per ordinary share	4.49p	(2.64)p	1.85p	4.54p	(1.56)p	2.98p

The revenue earnings per ordinary share is based on the net profit after taxation of £18,363,000 (2018: £17,485,000) and on 408,895,008 (2018: 385,436,978) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The capital earnings per ordinary share is based on a net capital loss of £10,794,000 (2018: net capital loss of £6,008,000) and on 408,895,008 (2018: 385,436,978) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

9 Investments

All investments 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 Income Statement.

	2019 £'000	2018 £'000
Investments listed/quoted on a recognised investment exchange	242,644	243,756
Unquoted investments	10,390	9,325
	253,034	253,081
Equity shares	33,725	33,477
Fixed income securities	211,158	215,661
Convertible bonds	8,151	3,943
	253,034	253,081

	2019 £'000	2018 £'000
Opening book cost	277,850	254,954
Opening fair value adjustment	(24,769)	(22,857)
Opening valuation	253,081	232,097
Purchases at cost	50,799	79,931
Sales proceeds	(41,115)	(54,335)
Realised losses on sales	(7,001)	(3,537)
Effective interest adjustment to book cost	464	837
Net unrealised losses	(3,194)	(1,912)
Closing valuation	253,034	253,081
Closing book cost	280,997	277,850
Closing fair value adjustment	(27,963)	(24,769)
Closing valuation	253,034	253,081

During the year the Company incurred brokerage costs of £12,000 (2018 – £8,000) on the purchase of investments and £11,000 (2018 – £6,000) on the sale of investments.

Losses on investments	2019 £'000	2018 £'000
Realised losses	(7,001)	(3,537)
Net unrealised losses	(3,194)	(1,912)
Losses on investments	(10,195)	(5,449)

Rating of fixed income securities	2019 %	2018 %
BB+	–	1.1
BB	0.4	–
BB-	5.9	2.5
B+	21.8	9.0
B	12.8	4.4
B-	12.5	9.0
CCC+	–	9.2
CCC	–	6.3
CCC-	0.3	4.2
Not rated	**46.3**	54.3
	100.0	100.0

Source: S&P and Moodys (lowest ratings)

The percentage above represents the value of fixed interest investments of £211 million included in the Balance Sheet which are exposed to credit and counterparty risk by credit rating.

10 Debtors and Other Receivables

	2019 £'000	2018 £'000
Income receivable from shares and securities	4,182	4,278
Prepayments and other debtors	4	20
	4,186	4,298

11 Bank Loan Facility

	2019 £'000	2018 £'000
Bank loan facility	**28,000**	28,000

The Company has a short term unsecured loan facility with Scotiabank Europe Plc ("Scotiabank"). The facility is due to expire on 18 December 2020 after which it is anticipated the Company will take out a new facility on comparable terms.

As at the year end the unsecured loan facility had a limit of £35 million of which £28 million was drawn down at the year end at an interest rate of 1.88796%.

The current loan facility was renewed on 18 December 2018 on the same terms as applied to the previous facility. During the year the covenants of the loan facility have been meet. The following are the covenants for the facility:

- the borrower shall not permit the adjusted asset coverage to be less than 4 to 1
- the borrower shall not permit the net asset value to be less than £95,000,000 at any time
- the borrower shall maintain an additional adjusted asset coverage of at least 1.5 to 1 at all times
- the loan facility is rolled over every three months and can be cancelled at any time

Reconciliation of Bank loan facility (excluding interest)

	At 30 June 2018 £'000	Cash flow £'000	Currency movements £'000	At 30 June 2019 £'000
Bank facility	28,000	–	–	**28,000**

12 Brokers and Other Payables

	2019 £'000	2018 £'000
Amounts due to brokers	1,667	1,903
Interest on bank loan facility	16	14
Other creditors	247	244
	1,930	2,161

13 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	£'000
Total issued share capital at 30 June 2018	400,951,858	178,424
2,500,000 ordinary shares of no par value alloted on 27 July 2018 at 60.40p	2,500,000	1,510
1,000,000 ordinary shares of no par value alloted on 28 August 2018 at 60.75p	1,000,000	608
1,000,000 ordinary shares of no par value alloted on 30 October 2018 at 58.70p	1,000,000	587
1,000,000 ordinary shares of no par value alloted on 22 November 2018 at 58.60p	1,000,000	586
1,100,000 ordinary shares of no par value alloted on 06 February 2019 at 56.80p	1,100,000	625
1,000,000 ordinary shares of no par value alloted on 12 February 2019 at 57.20p	1,000,000	572
1,000,000 ordinary shares of no par value alloted on 22 February 2019 at 57.20p	1,000,000	572
1,000,000 ordinary shares of no par value alloted on 15 March 2019 at 57.50p	1,000,000	575
1,000,000 ordinary shares of no par value alloted on 28 March 2019 at 57.60p	1,000,000	576
2,000,000 ordinary shares of no par value alloted on 09 April 2019 at 58.10p	2,000,000	1,162
1,000,000 ordinary shares of no par value alloted on 15 April 2019 at 58.80p	1,000,000	588
2,500,000 ordinary shares of no par value alloted on 16 April 2019 at 58.80p	2,500,000	1,470
2,000,000 ordinary shares of no par value alloted on 29 April 2019 at 59.00p	2,000,000	1,180
1,000,000 ordinary shares of no par value alloted on 16 May 2019 at 59.40p	1,000,000	594
1,500,000 ordinary shares of no par value alloted on 03 June 2019 at 58.80p	1,500,000	882
850,000 ordinary shares of no par value alloted on 11 June 2019 at 58.50p	850,000	496
Total issued share capital at 30 June 2019	422,401,858	191,007

The balance of shares left in Treasury at the year end was nil (2018: nil shares).

On 15 May 2018, a block listing facility for 40,000,000 new shares was approved by the UK Listing Authority. This facility is used for the purposes of satisfying market demand.

Since 30 June 2019, a further 3,200,000 ordinary shares have been issued for consideration of £1.9 million.

Because the criteria in paragraphs 16c and 16d of IAS 32 Financial Instruments: Presentation have been met, the stated capital of the Company is classified as equity even though there is an annual continuation vote.

14 Reserves

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, which is detailed on page 9.

On 24 May 2007, the Royal Court of the Island of Jersey confirmed that the amount standing to the credit of the Company's stated capital account be reduced by 75 per cent and was used to create the special distributable reserve in the Company's accounts. This reserve 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.

Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that the Company will be able to continue as a going concern; and

– to maximise the capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board normally seeks to limit gearing to 25% of shareholders funds.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Investment Manager's views on the market, and the extent to which revenue in excess of that which is required to be distributed should be retained. The Company has no externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy detailed in the Strategic Review on page 9.

15 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net asset value attributable to the ordinary shares at the year end calculated in accordance with their entitlements in the Articles of Association were as follows:

	Net asset value per share attributable		Net asset value attributable	
	2019 pence	2018 pence	2019 £'000	2018 £'000
Ordinary shares	55.19p	57.63p	233,127	231,068

The net asset value per ordinary share is based on net assets of £233,127,000 (2018: £231,068,000) and on 422,401,858 (2018: 400,951,858) ordinary shares, being the number of ordinary shares in issue at the year end.

16 Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank loan and debtors and creditors that arise directly from its operations. As an investment company, the Company holds a portfolio of financial assets and financial liabilities in pursuit of its investment objective. The Company uses flexible borrowings for short term purposes, and to seek to enhance the returns to shareholders, when considered appropriate by the Investment Manager.

Investments held (see note 9) are held at fair value. For listed/quoted securities this is either bid price or the last traded price depending on the convention of the exchange on which the investment is listed. For unlisted securities this is determined by the Board, based on estimates of fair value, mainly by using broker quotes. The fair value of other receivables cash and cash equivalent and other payables is represented by their carrying value in the Balance Sheet shown on page 29. These are short term financial assets and liabilities whose carrying value approximate fair value.

The main risks that the Company faces arising from its financial instruments are:

(i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;

(ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;

(iii) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales and income will fluctuate because of movements in currency exchange rates;

(iv) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and

(v) liquidity risk, being the risk that the bank may demand repayment of the loan and/or that the Company may not be able to liquidate quickly its investments.

The Company held the following categories of financial instruments as at 30 June 2019 all of which are held at fair value, other than the bank loan, other receivables and other payables which are held at amortised cost.

	2019 £'000	2018 £'000
Financial instruments		
Investment portfolio	253,034	253,081
Cash and cash equivalents	5,837	3,850
Accrued income	4,182	4,278
Financial liabilities		
Amount due to brokers	1,667	1,903
Bank loan	28,000	28,000
Interest on bank loan facility	16	14
Other creditors	247	244

17 Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held.
It represents the potential loss the Company might suffer through holding market positions in the face of price movements. To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. An appropriate spread of investments is held in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a country or sector. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

Investment and portfolio performance are discussed in the Investment Manager's Review and further information on the investment portfolio is set out on pages 5 to 8. These pages do not form part of the audited financial statements.

If the investment portfolio valuation fell 5 per cent at 30 June 2019, the impact on the profit or loss and the net asset value would have been negative £12.6 million (2018: a fall of 5 per cent would have impacted the profit or loss and the net asset value by negative £12.6 million). Due to the effect of gearing, the impact on the net asset value per share would have been a decrease of 5.5 per cent (2018: decrease of 5.5 per cent). If the investment portfolio valuation rose by the same amount, the effect would have been equal and opposite. The calculations are based on the portfolio valuation at the balance sheet date and is not representative of the period as a whole, and may not be reflective of future market conditions. The Directors believe 5% is a relevant percentage based on average market volatility in recent years.

18 Interest Rate Risk

Financial assets

Bond and preference share yields, and their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Returns from bonds and preference shares are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. Consequentially, if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

Interest rate risk on fixed interest instruments is considered to be part of market price risk as disclosed in Note 17.

Floating rate

When the Company retains cash balances they are held in floating rate deposit accounts. The benchmark rate which determines the interest payments received on interest bearing cash balances is the UK bank base rate, which was 0.75 per cent at 30 June 2019 (1018: 0.75 percent).

Financial liabilities

The Company may utilise the bank loan facility to meet any liabilities due. The Company has borrowed in sterling at a variable rate of interest based on the UK bank base rate. The Board sets borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

If the bank base rate had increased by 0.50 per cent, the impact on the profit or loss would have been a loss of £111,000 (2018: £121,000). If the bank base rate had decreased by 0.50 per cent, the impact on the profit or loss would have been equal and opposite. The calculations are based on borrowings as at the respective balance sheet dates and are not representative of the year as a whole.

The Directors believe 0.50% is a relevant % based on observed interest rate adjustments in recent years.

At the year end, the Company had borrowings of £28 million from Scotiabank, details of which are contained in note 11 on page 38.

Fixed rate

The Company holds fixed interest investments.

	2019 £'000	2019 Weighted average interest rate (%)	2019 Weighted average period for which the rate is fixed (years)	2018 £'000	2018 Weighted average interest rate (%)	2018 Weighted average period for which the rate is fixed (years)
Assets:						
Fixed income & convertible securities	116,418	8.5	5.2	156,224	8.6	5.6
Preference shares	11,942	9.9	n/a	15,960	8.6	n/a

19 Foreign Currency Risk

The Company invests in overseas securities and may hold foreign currency cash balances which give rise to currency risks. It is not the Company's policy to hedge this risk on a continuing basis but it may do so from time to time.

Foreign currency exposure at 30 June 2019 was as follows:

	2019 Investments £'000	2019 Cash £'000	2019 Accrued Income £'000	2019 Total £'000	2018 Investments £'000	2018 Cash £'000	2018 Accrued Income £'000	2018 Total £'000
Euro	16,978	1,760	338	19,076	11,623	–	298	11,921
Australian dollar	491	–	–	491	1,849	1	–	1,850
US dollar	47,011	20	923	47,954	49,321	1,692	860	51,873
Norwegian krone	2,742	55	12	2,809	2,577	–	19	2,596
Canadian dollar	1,340	5	2	1,347	638	–	3	641
Swedish krona	–	–	–	–	1,483	–	–	1,483
	68,562	1,840	1,275	71,677	67,491	1,693	1,180	70,364

If the value of sterling had weakened against each of the currencies in the portfolio by 5 per cent, the impact on the profit or loss and the net asset value would have been positive £3.7 million (2018: positive £3.6 million). If the value of sterling had strengthened by the same amount the effect would have been equal and opposite. The calculations are based on the portfolio valuation and accrued income balances at the balance sheet date and are not representative of the period as a whole and may not be reflective of future market conditions. The Directors believe 5% is a relevant % based on the average market volatility in exchange rates in recent years.

20 Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum risk exposure at the balance sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2019 £'000	2018 £'000
Fixed income securities	211,158	215,661
Convertible bonds	8,151	3,943
Cash and cash equivalents	5,837	3,850
Interest, dividends and other receivables	4,182	4,278
	229,328	227,732

Credit risk on fixed income securities and convertible bonds instruments is considered to be part of market price risk as disclosed in note 17.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the acceptable credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk.

The cash held by the Company and most of the assets of the Company are held by HSBC Bank Plc ('HSBC'), the Company's custodian which is rated as A1 based on Moody's ratings. New Look Senior Notes are held by the brokers, Lucid. These are valued at nil and therefore there is no significant credit risk exposure to the Company in respect of these notes. JPI Media Senior Notes are held by JPI Media with a overall value of £2 million and therefore not material credit risk to the Company. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to the cash and securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports.

Should the credit quality or the financial position of HSBC deteriorate significantly the Investment Manager will move the cash holdings to another bank.

There were no contingencies, guarantees or financial commitments outstanding at the balance sheet date.

21 Liquidity Risk

The Company's financial instruments include investments in unquoted investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate these investments at an amount close to their fair value.

The Company's listed securities are considered to be readily realisable.

At the reporting date, the Company's investments were categorised as follows:

	2019 £'000	2018 £'000
Listed/Quoted on a recognised investment exchange	242,644	243,756
Unquoted	10,390	9,325
Total investments	253,034	253,081

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place as described in the Directors' Report. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient cash, has a short term bank loan facility and readily realisable securities to pay accounts payable and accrued expenses. The Company also maintains sufficient cash and readily realisable securities to meet any demand repayment on its overdraft facility.

All the Company's financial liabilities are due in one year or less.

22 Fair Value Hierarchy

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

- Level 1 – investments quoted in an active market;
- Level 2 – investments whose fair value is based directly on observable current market prices or indirectly being derived from market prices;
- Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or based on observable market data.

Transfers in and out of the levels have been deemed to have occurred at the end of the reporting period.

Financial assets at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Fixed income securities	–	193,043	9,856	202,899
Equity shares	40,991	459	534	41,984
Convertible bonds	–	8,151	–	8,151
As at 30 June 2019	**40,991**	**201,653**	**10,390**	**253,034**

Financial assets at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Fixed income securities	9,324	197,761	8,576	**215,661**
Equity shares	28,603	4,147	727	**33,477**
Convertible bonds	–	3,921	22	**3,943**
As at 30 June 2018	**37,927**	**205,829**	**9,325**	**253,081**

If the market value of the Level 3 investments fell by 5 per cent, the impact on the profit or loss and the net asset value would have been negative £0.52 million (2018: negative £0.47 million). If the value of the Level 3 investments rose by the same amount, the effect would have been equal and opposite.

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

Level 3 Financial Assets	2019 £'000	2018 £'000
Opening valuation	**9,325**	1.935
Purchases and corporate actions	**4,817**	4,773
Sales	**(28)**	–
Unrealised losses	**(558)**	(70)
Transfers out of level 3	**(3,166)**	(2,251)
Transfers in to level 3	**–**	4,938
	10,390	9,325

The fair value of Level 3 financial assets has been determined by reference to valuation techniques described in note 1(b) of these financial statements. The Level 3 investments at the year end are:

	2019 £'000		2018 £'000	
Aggre Micro 8% 17/10/2036	3,267	(1)	3,432	(1)
Aggre Micro 8% 17/10/2036 Series MAY2	2,000	(1)	–	
Oaknorth Bank Variable 01/06/2028	1,970	(1)	1,980	(1)
JPI Media Group Senior Notes (Facility B)	1,731	(1)	–	
JPI Media Group Super Senior Notes (Facility A)	644	(1)	–	
Oro SG PTE Ltd 12% 08/07/2020	244	(1)	–	
Fara Holdco Limited NPV	336	(1)	715	(3)
JPI Media Group Equity	198	(1)	–	
Others	–		3,198	(2)
	10,390		9,325	

(1) Single broker quote, low liquidity
(2) In default
(3) Model pricing

Aggre Micro 8% 17/10/2036; Aggre Micro 8% 17/10/2036 Series MAY2; Oaknorth Bank Variable 01/06/2028; JPI Media Group Equity and JPI Media Group Senior Notes (Facility B) have all been valued using a single broker to determine their Fair Value.

Fara Holdco Limited NPV has been valued using indicative trade prices from a broker to determine its Fair Value.

JPI Media Group Super Senior Notes (Facility A) has been valued at par value due to the lack of information in the market for this security but taking into account the information for the other two instruments from the same company.

Oro SG PTE Ltd 12% 08/07/2019 has been valued at par due to the lack of information, as there was only one price source which was deemed not reliable given its illiquid position.

During the year no instruments were transferred into Level 3.

Gran Colombia Gold 8.25% 30/04/2024 amounting £2,172,000, Rea Holdings 7.5% 30/06/2024 amounting £760,000 and Oceanteam FRN 02/05/2022 amounting £223,000 moved out of Level 3 to Level 2 due to an increase in observable valuation data.

During the year two securities Channel Island Property Fund and Crown Security Solutions Group totalling £3,924,000 were reclassified from level 2 to level 1 due to increase in trading activity.

Also two securities Motors Liquidation Trust and General Motors 10/07/2019 totalling £11,000 were reclassified from level 3 to level 1 due to the security being trading.

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

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

23 Transaction with the Manager and Related Parties

The Board of Directors ("the Board") are considered related parties.

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 as disclosed in the Directors' Remuneration Report on pages 22 and 23 and as set out in note 4 to the financial statements. The beneficial interests of the Directors in the shares of the Company are disclosed on page 23. There are no outstanding balances to the Board at the year end.

Details of the fee arrangement with the Investment Manager is included within the Directors' Report under the heading Management and Management Fees and is disclosed in note 3.

24 Subsequent Events

Share Issues

Following the year end the Company undertook a further three issues of shares issuing, in total, an additional 3,200,000 ordinary shares of no par value for total consideration of £1.9 million. As at the date of this report the issued share capital of the Company was 425,601,858 ordinary share of no par value.

Amendment to the Investment Management Agreement and Fee Arrangements

Under the terms of the investment advisory agreement dated 22 July 2014, and a novation agreement dated 1 October 2015, the Company appointed CQS Cayman Limited Partnership as its Investment Manager and CQS Cayman Limited Partnership, with the agreement of the Board, delegated that function to CQS (UK) LLP.

With effect from 18 September 2019 the Company entered into a new Investment Management Agreement to appoint CQS (UK) LLP Limited as its Investment Manager and the previous investment advisory agreement with CQS Cayman Limited partnership terminated.

The Management Fee

With effect from 18 September 2019 the management fee which had previously been charged at a rate of 0.80% per annum on the Company's Adjusted Total Assets up to £200 million and 0.70% per annum thereafter was amended to being charged at a rate of 0.80% per annum on the Company's Adjusted Total Assets up to £200 million, 0.70% per annum on Assets in excess of £200 million, and up and including £300 million, and 0.60% per annum thereafter. The payment of the management fee monthly in arrears remains unchanged.

Distribution

The fourth interim dividend of 1.45 pence per share was announced on 17 July 2019 and paid on 30 August 2019 to shareholders on the register on 26 July 2019, having an ex-dividend date of 25 July 2019.

Administration Changes

With effect from 15 October 2019, BNP Paribas Securities Services S.C.A. Jersey Branch ("BNP") will be appointed as the Company Secretary and Administrator to the Company. BNP will also replace HSBC Bank Plc as the Company's Depositary, Custodian and Banker from the same date.

Glossary of Terms and Definitions

Gearing	The level of borrowing that the Company has undertaken. Represented by total assets (as below) less all cash expressed as a percentage of shareholders' funds minus 100.
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 company 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	Income receivable from an investment in shares.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend per share	Is the total amount of dividends declared for every issued share over a period of time.
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. 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.
Revenue reserve per ordinary share (after recognition of annual dividends)	Revenue reserve (which includes dividends paid out during the year) divided by the number of shares at the balance sheet date, expressed as a percentage.
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 xd. The NAV total return involves investing the same net dividend in the NAV of the Company on the date to which that dividend was earned, eg quarter end, half year or year end date.
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.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the years ended 30 June 2019 and 30 June 2018.

2019	Dividend rate	NAV	Share price
30 June 2018	N/A	57.63	61.75
31 August 2018	1.45p	57.05	57.05
30 November 2018	1.00p	55.58	55.58
28 February 2019	1.00p	53.34	53.34
31 May 2019	1.00p	54.78	54.78
30 June 2019	N/A	55.19	55.27
Total return		3.79%	6.71%

2018	Dividend rate	NAV	Share price
30 June 2017	N/A	58.77	62.75
31 August 2017	1.45p	58.12	62.75
30 November 2017	0.99p	58.74	60.75
28 February 2018	0.99p	57.62	60.80
31 May 2018	0.99p	57.09	60.20
30 June 2018	N/A	57.63	61.75
Total return		5.82%	5.50%

The table below provides information relating to the Ongoing charges ratio of the Company as at 30 June 2019 and 30 June 2018

Year ended 30 June		2019	2018
Average NAV	a	226,064,325	224,200,823
Operating expenses per Income Statement		2,801,067	2,818,974
Ineligible expenses		(98,844)	(192,000)
Operating expenses	b	2,702,223	2,626,974
Ongoing charges figure (calculated using the AIC methodology)	b/a	1.20%	1.17%

The Company uses the following APMs (as described above) 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. All APMs relate to past performance.

- Dividend yield
- Net asset value total return
- Ongoing charges ratio
- Ordinary share price total return
- Premium
- Gearing

Notice of Annual General Meeting

Notice is hereby given that the eleventh Annual General Meeting of CQS New City High Yield Fund Limited will be held at 11.00 a.m. at IFC1, The Esplanade, St. Helier, Jersey, JE1 4BP on 3 December 2019 for the following purposes:

To consider and, if thought fit, pass resolutions 1 to 7 as ordinary resolutions and resolutions 8 and 9 as a special resolutions:

Ordinary Business

1. To receive the Report of the Directors and the financial statements of the Company for the year ended 30 June 2019, together with the auditor's report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30 June 2019.
4. To approve the Company's Dividend Policy.
5. That Wendy Dorman, who retires at the Annual General Meeting, be re-elected as a Director.
6. To re-appoint KPMG Channel Islands Limited as Independent Auditor and that the Directors be authorised to determine their remuneration.
7. That, pursuant to Article 164 of the Company's Articles of Association, the Company shall continue as an investment fund until the conclusion of the next Annual General Meeting of the Company.

Special Business

8. That, the Company be authorised to issue equity securities for cash, including by way of a sale of ordinary shares held by the Company as treasury shares, in such amount as represents up to 10 per cent of the Company's issued share capital as at the date of the passing of this resolution, provided that such authorisation shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Ordinary Resolution) at the earlier of the conclusion of the annual general meeting of the Company to be held in 2020 or eighteen months from the date of this resolution but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be issued after such expiry and the directors of the Company may issue equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.
9. That, pursuant to Article 57 of the Companies (Jersey) Law 1991, the Company be generally and unconditionally authorised to make one or more market purchases of ordinary shares of no par value in the capital of the Company (ordinary shares) provided that:

   (i) the maximum aggregate number of ordinary shares authorised to be purchased shall be equal to 14.99 per cent of the total issued share capital of the Company on the date at which the resolution is passed;

   (ii) the minimum price which may be paid for an ordinary share is 1p;

   (iii) the maximum price which may be paid for an ordinary share is an amount equal to the higher of:

   (a) 105 per cent of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased; and

   (b) the higher of (1) the price of the last independent trade in ordinary shares and (2) the highest current independent bid for ordinary shares on the London Stock Exchange's Main Market;

   (iv) any ordinary shares to be purchased may be cancelled or held as treasury shares in accordance with the Companies (Jersey) Law, 1991, provided that the Company shall not hold as treasury shares more than 10% of the aggregate number of ordinary shares in issue at any one time;

   (v) this authority expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or fifteen months from the date of the passing of this resolution, whichever is earlier;

   (vi) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract; and

   (vii) the Directors provide a statement of solvency in accordance with Articles 55 and 57 of the Companies (Jersey) Law, 1991.

By Order of the Board

R&H Fund Services (Jersey) Limited
Company Secretary

7 October 2019

Notes:

1. Information about this meeting is available from the Company's website; www.ncim.co.uk
2. As a member who is entitled to attend and vote at this meeting you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote on your behalf. Such a proxy need not also be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
3. A form of proxy is enclosed for use at the meeting. To be valid, the proxy card and any power of attorney or other authority, if any, under which it is signed, or a certified copy thereof must be lodged with the Company's registrar, Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgewater Road, Bristol BS99 6ZY at least 48 hours before the meeting.
4. Completion of the proxy card will not prevent a shareholder from attending the meeting and voting in person.
5. Pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, the Company has specified that only those shareholders registered on the register of members of the Company as at 6.00 pm on 29 November 2019, or in the event that the meeting is adjourned, on the register of members 48 hours before the time of the meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that relevant time. Changes to entries on the register of members after 6.00 pm on 29 November 2019, or in the event that the meeting is adjourned to a later time, on the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Electronic receipt of proxies

6. To appoint one or more proxies or give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number 3RA50) no later than the 29 November 2019 at 11am. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 or the relevant provisions of the Companies (Uncertificated Securities) (Jersey) Order 1999. Instructions on how to vote through CREST can be found on the website www.euroclear.com

Information to be disclosed in accordance with Listing Rule 9.8.4 (unaudited)

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the period under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long term incentive schemes in operation.

9.8.4 (5) and (6) No Director of the Company has waived or agreed to waive any current of future emoluments from the Company.

9.8.4 (7) During the year, the Company issued shares on sixteen separate occasions and 21,450,000 ordinary shares in total of no par value were issued as below for a total consideration of £191,875, before the deduction of issue costs.

Details of the allottees are set out in the following table:

Allottee	Number of issues	Shares issued	Volume Weighted Average Issue Price per share (pence)	Consideration (£'000)	Volume weighted Average Premium Cum Fair NAV (%)
Cantor Fitzgerald Europe	16	21,450,000	58.63	12,576	6.05

9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) There were no contracts of significant subsisting during the period under review to which the Company was a party and in which a Director of the Company is or was materially interested; or between the Company and a controlling shareholder.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and (13) There were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

By order of the Board

R&H Fund Services (Jersey) Limited
Company Secretary
7 October 2019

Report of the UK Investment Adviser Relating to Matters under the Alternative Investment Fund Managers' Directive (unaudited)

Risk management systems

CQS (UK) LLP ("the Investment Manager") employs risk management disciplines which monitor the Company's portfolio and to quantify and manage the associated market and other risks. A permanent independent department has been established by the Investment Manager to perform the risk management function. The risk management and performance analysis team ("RMPA") is led by the Chief Risk Officer and is functionally and hierarchically separate from the operating units of the portfolio managers of the Company. RMPA is a dedicated control function over the operating units of the Investment Manager and is not involved in the performance activities of the Company. RMPA has designed, documented and implemented effective risk management policies, processes and procedures in order to identify, quantify, analyse, monitor, report on and manage all material risks relevant to the Company's investment strategy. The systems include third party vendor applications such as Tradar, Sungard Front Arena and MSCI Risk Metrics, complemented with a number of proprietary applications.

Material changes to information required to be made available to investors of the Company

There have been no material changes to be disclosed during the year to 30 June 2019.

Assets of the Company subject to special arrangements arising from their illiquid nature

There are no assets of the Company which are subject to special arrangements arising from their illiquid nature.

Leverage

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on a gross and commitment method. Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions is offset against each other. The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings. The Company's maximum limits and actual leverage levels are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit (AIFM)	200%	200%
Maximum limit (Board)	200%	200%
Actual at 30 June 2019	111%	111%

Remuneration

The AIFM has adopted a remuneration policy which meets the requirements of the Directive and has been in place for the current financial year of the Fund. The year end of the AIFM changed from September to December and therefore the variable remuneration period of the AIFM is the 15 month period ending on December 31, 2018. This does not coincide with the financial year of the Company.

The remuneration process is overseen by the remuneration committee (comprised predominately of independent non-executive parties). An internal working group encompassing senior management is responsible for gathering relevant information (both quantitative and qualitative) to evaluate the performance (both short and long term) of individuals, teams and the AIFM as a whole, against external market benchmarks and to utilise this to develop proposals for fixed and variable remuneration for all staff. The remuneration committee receives these proposals and the supporting information and is responsible for independently reviewing and scrutinising the proposals and evidence provided in line with the AIFM's stated objectives and developing its final recommendations for delivery to the governing body of the AIFM and other entities associated with the AIFM.

The variable remuneration of all staff in excess of a threshold, which includes those individuals categorised as remuneration code staff ("code staff"), is subject to the following:

- deferred payment of up to 50% of the variable remuneration for a period of 3 years,
- deferred remuneration is linked to funds managed by the AIFM,
- the breaching of certain covenants may lead to forfeiture of deferred remuneration, and
- a claw-back provision of deferred remuneration in certain circumstances including future performance issues by the individuals.

The below information provides the total remuneration paid by the AIFM (and any delegates) during the 15 month period ending, December 31, 2018. This has been presented in line with the information available to the Fund. There is no allocation made by the AIFM to each AIF and as such the disclosure reflects the remuneration paid to individuals who are partly or fully involved in the AIF, as well as staff of any delegate to which the firm has delegated portfolio management and/or risk management responsibilities in relation to the AIF.

Of the total AIFM remuneration paid of $112.6m for the 15 months ending December 31, 2018 to 187 individuals (full time equivalent), $36.5m has been paid as fixed remuneration determined based upon the FCA guidance with the remainder being paid as variable remuneration.

The AIFM has assessed the members of staff whom it determines to be code staff in line with AIFMD as reflected in SYSC 19b.3.4R. Senior management and staff engaged in the control functions are identified based upon their roles and responsibilities within the AIFM and the delegates. With respect to investment professionals, in determining whether such staff are code staff, due consideration is taken of the allocated capital and trading limits that apply to the funds managed and whether the individuals report into and seek consent for investment decisions from others who are themselves code staff. There are 15 individuals (full time equivalent) who meet this definition and these individuals have collectively been compensated $49.6m.

Not all individuals are directly remunerated by the AIFM due to the structure of the AIFM entity, however in the interests of meeting the underlying requirement of this disclosure all staff involved have been assessed as if directly remunerated by the AIFM.

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Corporate Information

Registered Number
95691

Registered Office
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Ordnance House, 31 Pier Road
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Channel Islands

Directors
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Duncan A H Baxter
Ian Cadby
Wendy Dorman
John E Newlands

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Company Secretary and Administrator
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Channel Islands
Tel: 01534 825200

UK Administrator
Maitland Administration Services (Scotland) Limited
20 Forth Street
Edinburgh, EH1 3LH
Tel: 0131 550 3765

Registrars
Computershare Investor Services (Jersey) Limited
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*With effect from 18 September 2019.
See page 46 for further information.

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UK Solicitors to the Company
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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.

CQS NEW CITY
HIGH YIELD FUND
LIMITED