CQS NEW CITY

HIGH YIELD FUND LIMITED

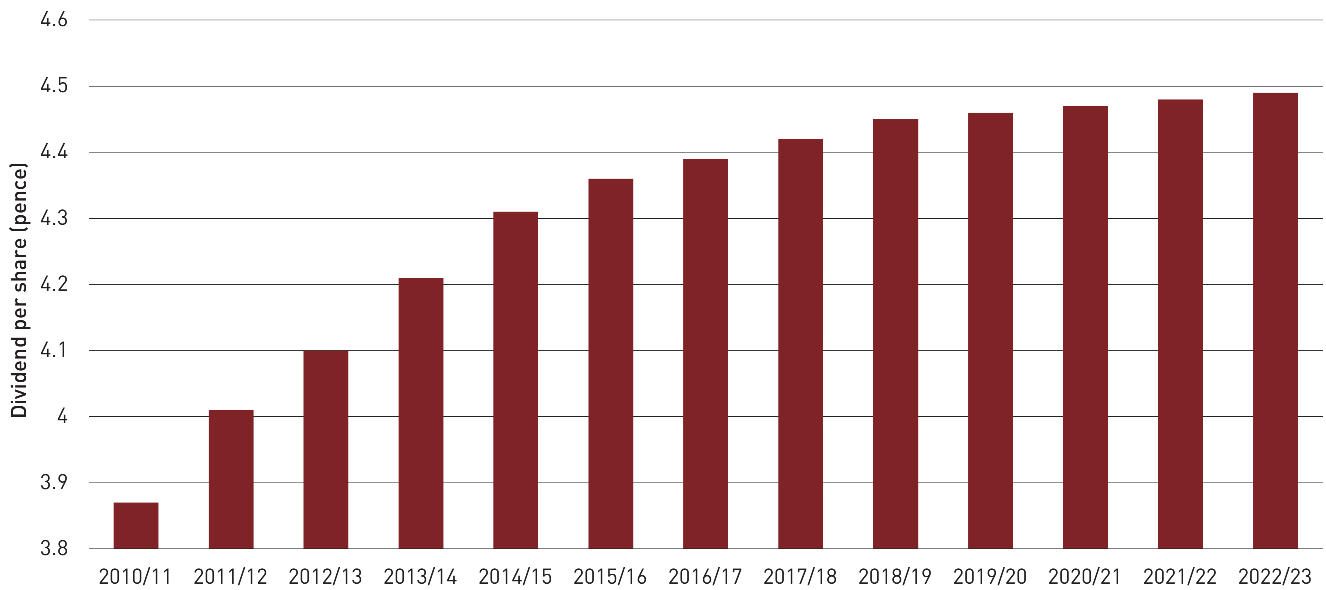
ANNUAL REPORT & FINANCIAL STATEMENTS

30 JUNE 2023

Purpose and Strategy

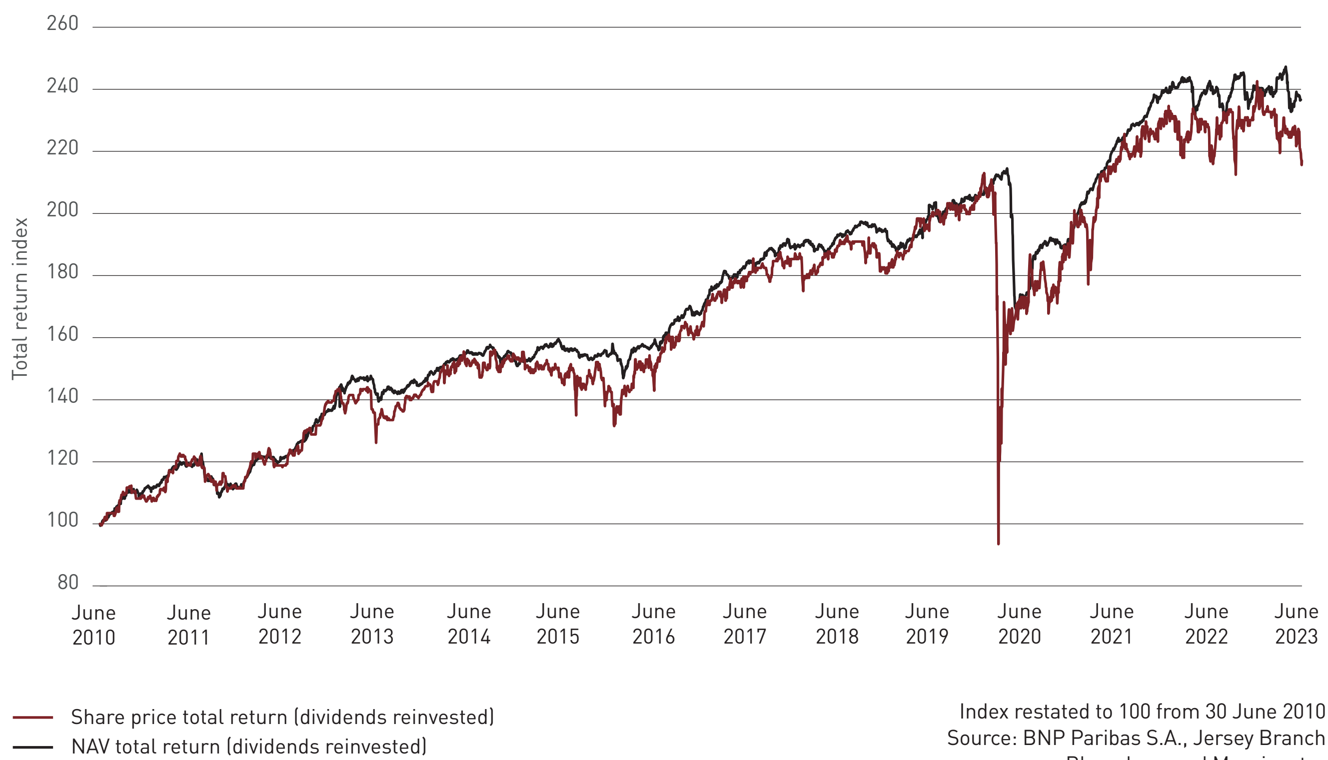
The purpose of CQS New City High Yield Fund Limited (the "Company") is to provide Shareholders with a high gross dividend yield and the potential for capital growth by mainly investing in high yielding fixed interest securities. To achieve this, the strategy of the Company is to follow the investment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

Dividends declared in respect of each financial year



Source: Bloomberg

NAV total return and share price total return



Index restated to 100 from 30 June 2010
Source: BNP Paribas S.A., Jersey Branch
Bloomberg and Morningstar

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Financial Highlights

NAV and share price total return[2]	12 months to 30 June 2023	12 months to 30 June 2022
NAV[1]	**2.04%**	2.04%
Ordinary share price	**(0.68)%**	1.21%

Capital values	As at 30 June 2023	As at 30 June 2022	% change
Total assets less current liabilities (with the exception of the bank loan facility)	**£275.4m**	£268.0m	2.76%
NAV per ordinary share[1]	**45.83p**	49.30p	(7.04)%
Share price (bid)[3]	**46.60p**	51.20p	(8.98)%

Revenue and dividends	12 months to 30 June 2023	12 months to 30 June 2022	% change
Revenue earnings per ordinary share[2]	**4.51p**	4.16p	8.41%
Annual dividends per ordinary share[2]	**4.49p**	4.48p	0.22%
Dividend cover[2]	**1.00x**	0.93x	
Revenue reserve per ordinary share (after recognition of annual dividends)[2]	**3.05p**	3.26p	
Dividend yield[2]	**9.64%**	8.75%	
Premium[2]	**1.68%**	3.86%	
Gearing[2]	**11.81%**	12.35%	
Ongoing charges ratio[2]	**1.16%**	1.19%	

Dividend history	Rate	xd date	Record date	Payment date
First interim 2023	**1.00p**	**27 October 2022**	**28 October 2022**	**25 November 2022**
Second interim 2023	**1.00p**	**26 January 2023**	**27 January 2023**	**28 February 2023**
Third interim 2023	**1.00p**	**27 April 2023**	**28 April 2023**	**26 May 2023**
Fourth interim 2023	**1.49p**	**27 July 2023**	**28 July 2023**	**31 August 2023**
Annual dividend per ordinary share	**4.49p**			
First interim 2022	1.00p	28 October 2021	29 October 2021	30 November 2021
Second interim 2022	1.00p	27 January 2022	28 January 2022	25 February 2022
Third interim 2022	1.00p	28 April 2022	29 April 2022	27 May 2022
Fourth interim 2022	1.48p	28 July 2022	29 July 2022	26 August 2022
Annual dividend per ordinary share	4.48p			

[1] The definition of the terms used can be found in the glossary on page 53.
[2] A description of the Alternative Performance Measures ("APMs") used above and information on how they are calculated can be found on pages 54 to 56.
[3] Source: Bloomberg

Statement from the Chair

Key Points

- NAV total return of 2.04%
- Ordinary share price total return decline of 0.68%
- Dividend yield of 9.64%, based on dividends at an annualised rate of 4.49 pence and a share price of 46.60 pence as at 30 June 2023
- Ordinary share price at a premium of 1.68% at 30 June 2023
- £24,235,000 of equity issued during the year to 30 June 2023
- Dividend cover of 1.00x

Investment and share price performance

The NAV total return of the Company for this financial period was a positive 2.04% (coincidentally the exact same level as the previous year), thanks to the dividends paid to Shareholders during the year. This outcome was despite a difficult background as rising inflation and interest rates worried investors in the high yield debt markets in which the Company mainly invests. Many investment trusts, particularly those with an income focus, were negatively impacted by this environment with premiums eroded and in many cases, wide discounts appearing. The Company was not immune and the share price premium declined but only modestly (from 3.86% at the close of the last financial year to 1.68% this year) which resulted in a slight fall in the share price total return of 0.68%. In these circumstances, I believe this is a commendable outcome, particularly as the Company's shares remained on a premium and we were able to continue issuing shares (see below). I also believe that the Company's longer term performance remains strong.

In the early part of the year under review, the UK debt market was rattled by the short lived "mini budget" which triggered an increase in UK Gilt yields to levels not seen in 15 years. Although they then fell back, investor concerns about the UK, particularly stubborn inflationary pressures, have subsequently pushed yields back up, nearly to the levels seen at the time of the mini budget. Furthermore, the rapid demise of Credit Suisse in March was an issue for the portfolio. The junior debt of Credit Suisse was written down to zero ahead of the Company's equity and this unusual turn of events destabilised the junior debt of banks and financial companies across the UK and Europe and led to bond prices of these instruments being written down. Although the Credit Suisse holding was small, the Company has a material position in other such instruments. The investment manager, Ian "Franco" Francis, gives more detail in his report and believes that these junior debt prices will recover. He discusses the financial year in his review on page 4.

Earnings and dividends

Despite this difficult environment, I am pleased to report that the Company's revenue earnings per ordinary share were 4.51 pence for the year to 30 June 2023, which compares to 4.16 pence earned in the same period last year. This 8.41% increase was the result of the Investment Manager being able to take advantage of the decrease in prices to invest in more quality higher yielding bonds as interest rates rose. We also saw the repayment of previous arrears by several positions in the portfolio.

The Board decided to increase this year's dividend, albeit marginally, maintaining the Company's record of annual dividend increases which has been unbroken since 2007. The Company declared three interim dividends of 1.00 pence in respect of the period and one interim dividend of 1.49 pence since the year end. The aggregate payment of 4.49 pence per ordinary share represents a 0.22% increase on the 4.48 pence paid last year. It is pleasing to be able to report that this year's total dividend is covered by revenue earnings.

As things stand, the Board intends to follow the same pattern of dividend payments as declared last year and maintain or slightly increase the total level of dividends for the year. Based on an annual rate of 4.49 pence and a share price of 47.40 pence at the time of writing, this represents a dividend yield of 9.47%. As I stress in every report, the Board pays great attention to dividend payments as we understand how much shareholders value this aspect of the Company.

Gearing

The Company has a £45,000,000 loan facility with Scotiabank which is due to expire in December 2023. Out of this facility, £35,000,000 was drawn down as at 30 June 2023 and at the time of writing the Company has an effective gearing rate of 13.45%. As interest rates have risen, the cost of borrowing to gear has increased. The Board monitors this on a regular basis to judge whether the benefits of gearing outweigh these costs. At present, we believe that Shareholders will benefit from a modest but meaningful amount of gearing (a notable advantage of closed-ended funds compared to open-ended) and expects to maintain approximately this level of gearing during the next financial year.

Share issuance

Taking advantage of the premium rating that the market continued to attach to the Company's shares, £24,235,000 was raised from new and existing shareholders during the financial year, with 47,950,000 ordinary shares issued from the block listing facility. Shares were only issued when the Investment Manager was confident it could invest the additional funds favourably. As well as a modest increase in NAV from any issue of shares, the Board believes that over time, existing Shareholders will benefit from lower ongoing charges and greater liquidity in the Company's shares, all other things being equal.

Environmental, Social and Governance ("ESG") statement

The Board's intention is to invest responsibly and to consider the Company's broader impact on society and the environment. We believe the integration of ESG factors in the investment process is consistent with delivering sustainable attractive returns for Shareholders through deeper, more informed investment decisions. The Board has reviewed and agreed the ESG approach adopted by the Company and a summary of this is set out on page 25.

Outlook

With the majority of UK interest rate increases likely to be behind us and inflation showing some signs of moderation, the outlook for Sterling fixed interest securities appears more stable. Nevertheless, potential for turbulent events in the macro economic and geopolitical space remains and although the UK has managed to avoid a recession thus far, concerns linger. In his 'Outlook' report, your Investment Manager provides a bit more detail on what he is particularly watching. From a revenue perspective the Board maintains a positive outlook, anticipating strong revenue earnings and the ability to sustain the relatively high dividend levels appreciated by our shareholders.

Caroline Hitch
Chair

14 September 2023

Investment Manager's Review

Introduction

All our previously expressed fears about higher inflation and correspondingly higher interest rates came home to roost over the course of our last financial year to 30 June 2023. For a high yielding bond fund, higher interest rates are a mixed blessing. On one hand there are more opportunities to find quality investments in stocks and sectors that have previously been too difficult to invest in as yields have been lower. This has helped the revenue account and we have covered the dividend this year. On the other hand, higher rates put pressure on the operating abilities of companies in the portfolio which can lead to problems. We saw issues in the retail sector with our holding of Matalan Finance 9.5% 18-31/01/2024 and also in the banking sector where the troubles of Credit Suisse affected the portfolio. More details of that are in the portfolio review below. The Company raised new monies this year as we issued shares at a premium. Proceeds have been invested into a wide range of sectors and the continuing diverse nature of the portfolio has meant that the overall NAV total return for the 12 months to 30 June 2023 is a positive one at a modest 2.04%.

Market and economic review

When I wrote the market review for the interim report six months ago, I noted that the period under review from 30 June 2022 to 31 December 2022 was one which most people would want to forget. The seemingly unending litany of woe – weak markets, higher inflation, unstable governments, crippling energy prices and rising interest rates were but a few of the horror stories we saw during the late Summer and Autumn of 2022. With a feeling of déjà vu, we have moved six months further on and it feels hard to be more positive – interest rates have continued to rise and are probably yet to peak in the UK, US and Europe. Inflation in the UK is starting to come down with the last reading at 6.80% but food price inflation remains stubbornly high. The bright spot in the UK has been the service sector which has seen consumer spending continue at elevated levels. Despite all the bad news, we saw some signs of stabilisation towards the end of the year and the forward-looking stock markets managed to eke out a positive return for the six months.

The bond markets had a very volatile year. UK 10-year gilts reached a 15 year high at 4.5% at the end of September on the back of former Prime Minister Liz Truss's growth plan which proposed billions of pounds in unfunded tax cuts, shooting up the country's risk premium. 10-year gilt yields then fell back to 3.7% at the end of December 2022 but have risen over the last six months as stubbornly high inflation and weak growth have worried international investors. At the time of writing the UK 10 year gilt yield is at 4.44%. This is an important measure for the bond market as companies wishing to raise money have to reference the gilt yield which pushes their interest costs up.

In the US, the economy appears to be proving more resilient to the effects of inflation. Nevertheless the US Federal Reserve has continued to raise interest rates to try and tame inflation. Whether this policy will work remains to be seen. In Europe, interest rates have risen at a slower pace as EU policy makers worry about anaemic job growth.

Portfolio and revenue review

During the period from June to December 2022, there were several bonds called or repaid and we were able to invest the proceeds at higher coupon rates than we have done previously. Good examples of this would be the Barclays AT1 (Additional Tier 1 bond) 7.75% being rolled over into an 8.75% coupon and the Shawbrook Group 7.785% FRN (Floating Rate Note) being called and replaced with a 12.10% coupon. We also took the opportunity in September when sterling was weak to sell some of our US dollar denominated Bombardier 7.5% 2025 bonds and replaced them with more attractive UK and Euro bonds. The Company still has a meaningful exposure to the US$ with 19.09% of the portfolio investment in that currency and a further 13.79% in the Euro and other currencies.

There were two major disappointments in the portfolio to report. Firstly, Matalan Finance 9.5% 18-31/01/2024 underwent a refinancing of its various bonds and equities in early 2023 and unfortunately our position was reduced to zero. This reduced the NAV by 1.20%. Secondly, we had a small position in Credit Suisse 31/12/2049 FRN AT1 which was written to zero in March 2023 following a forced take-over of Credit Suisse by Union Bank of Switzerland ("UBS"). This affected the NAV by 0.30% but the forced write-down to zero ahead of equity holders was unprecedented and rocked the bond markets. AT1 holdings are the junior debt of banks and financial institutions and are normally ranked higher than shareholder equity. The AT1 market is spooked at the possibility of being ranked lower than equity and caused the bond prices of these instruments to fall sharply. The Company's portfolio is exposed to around 18.00% in AT1 holdings in companies such as Barclays and Deutsche Bank and on average the prices of those securities have been marked down by between 5.00% and 10.50%. We believe these positions to be robust and will recover and regulators in the UK have taken pains to state that the situation that arose in Switzerland with Credit Suisse would not occur here. We have added to some of our investments at attractive prices.

New entries into the top 10 this year are Barclays Plc 22-15/12/2170 FRN in the global banking sector and Albion Financing 8.75% 21-15/04/2027 which is the financing company for Aggreko, a global provider of power and temperature control solutions.

For the year to 30 June 2023, the revenue account earnings were 4.51 pence compared to 4.16 pence for the same period last year. Earnings per share have improved as we have invested at slightly higher yields and received repayment of historic arrears from the REA preference shares we hold. It is noticeable that as markets settle around current levels, there are more opportunities to invest, particularly as UK Gilt yields have elevated which pushes up the coupons paid by companies when they issue debt instruments priced at a margin over the relevant UK Gilt. In our regular discussions with Shareholders, the revenue and dividends are topics of crucial importance and the ability of any portfolio company to pay its coupon or expected dividend is one of the major indicators we follow.

Outlook

The economic outlook for the UK will be affected by several factors in the months ahead. These include any continued rise in interest rates, how fast inflation continues to fall towards Government targets and whether the UK falls back into recession. Another factor we look at is the UK housing market, how resilient prices are over the next 12 months and whether the recent weakness is set to continue. Finally, as we approach the end of 2024, the prospect of the general election with a possible (at this time according to polls) change of Government makes us look at how policies could change.

Globally, a lot will depend on the world's two biggest economies, the USA and China. The USA economy is moving along nicely but there will be a lot of political factors to consider in the run up to the 2024 Presidential elections. The Chinese macro-economic picture looks horrible with major weakness in the property sector which is 30% of their GDP.

As regards markets affecting the Company, we believe that we are nearing the top of the interest rate cycle and that we will see a recovery in capital values of higher yielding bonds in the next year or so which would positively impact the ability of companies to refinance debt. But a word of caution: all of this can be affected by external influences.

Ian "Franco" Francis

New City Investment Managers

14 September 2023

Classification of Investment Portfolio

As at 30 June 2023

By currency	**2023 Total investments %**	2022 Total investments %
Sterling	**67.12**	62.16
US dollar	**19.09**	23.59
Euro	**11.59**	12.14
Swedish krona	**1.69**	1.52
Norwegian krone	**0.35**	0.40
Canadian dollar	**0.09**	0.12
Australian dollar	**0.07**	0.07
Total investments	**100.00**	100.00

By asset class	**2023 Total investments %**	2022 Total investments %
Fixed income securities[1]	**82.80**	81.14
Equity shares[2]	**17.20**	18.86
Total investments	**100.00**	100.00

Classification of Investment Portfolio by Sector

As at 30 June 2023

As at 30 June 2023	**2023 Total investments %**	2022 Total investments %
Financials	**44.21**	36.88
Energy	**21.47**	21.82
Consumer staples	**9.55**	8.96
Consumer discretionary	**6.98**	4.91
Industrials	**6.50**	10.80
Information technology	**6.22**	10.10
Real estate	**3.17**	4.27
Materials	**1.90**	2.26
Total investments	**100.00**	100.00

Investment Portfolio

As at 30 June 2023

Company	Sector	Valuation £'000	Total Investments %
Galaxy Finco Ltd 9.25% 31/07/2027	Financials	12,346	4.64
Co-Operative Fin 25/04/2029 FRN	Financials	11,952	4.49
Shawbrook Group 22-08/06/2171 FRN	Financials	11,917	4.48
Aggregated Micro 8% 17/10/2036	Energy	11,110	4.18
Virgin Money FRN PERP	Financials	10,811	4.06
REA Finance 8.75% 31/08/2025	Consumer staples	8,592	3.23
Stonegate Pub 8.25% 31/07/2025	Consumer discretionary	8,326	3.13
Barclays Plc 22-15/12/2170 FRN	Financials	8,262	3.11
Albion Financing 8.75% 21-15/04/2027	Industrials	7,724	2.90
Diversified Energy Co Plc	Energy	7,187	2.71
Top ten investments		**98,227**	**36.93**
Inspired Enterta 7.875% 21-01/06/2026	Information technology	7,021	2.64
Mangrove Luxco Ltd 7.775% 19-09/10/2025	Financials	6,792	2.55
Boparan Finance 7.625% 30/11/2025	Consumer staples	6,666	2.51
Just Group Plc 31/12/2059 FRN	Financials	6,605	2.48
Euronav NV	Energy	6,553	2.46
American Tanker 7.75% 02/07/2025	Energy	6,455	2.43
Azerion Holdings 7.25% 28/04/2024	Information technology	5,174	1.95
Transocean Inc 11.5% 20-30/01/2027	Energy	4,904	1.84
TVL Finance 9% 20-15/01/2025	Financials	4,884	1.84
VPC Specialty Lending Invest	Financials	4,636	1.73
Top twenty investments		**157,917**	**59.36**
Garfunkelux Hold 7.75% 20-01/11/2025	Financials	4,568	1.72
RL Finance No6 23-25/11/2171 FRN	Financials	4,417	1.66
Lloyds Banking 29/12/2049 FRN	Financials	4,211	1.58
M&G Plc	Financials	4,211	1.58
Arrow Bidco Llc 9.5% 15/03/2024	Consumer discretionary	4,197	1.58
Shamaran 12% 21-30/07/2025	Energy	4,063	1.53
Ithaca Energy N 9% 21-15/07/2026	Energy	4,014	1.51
REA Holdings Plc PREF	Consumer staples	3,986	1.50
Co-op Wholesale 7.5% 11-08/07/2026	Consumer staples	3,871	1.46
Enquest Plc 7% 15/10/2023	Energy	3,581	1.34
Top thirty investments		**199,036**	**74.82**
Stonegate Pub 8% 20-13/07/2025	Consumer discretionary	3,274	1.23
Phoenix Group Holdings Plc	Financials	3,191	1.20
Welltec A/S 9.5% 01/12/2022	Energy	3,191	1.20
Summer BC Holdco 9.25% 19-31/10/2027	Industrials	3,152	1.18
Deutsche Bank AG 30/05/2049 FRN	Financials	3,060	1.15
Channel Island Property Fund	Real estate	2,880	1.08
Coburn Resources 12% 20/03/2026	Materials	2,807	1.06
Barclays Plc 29/12/2049 FRN	Financials	2,703	1.02
Bidco Rely 23-12/05/2026 FRN	Financials	2,581	0.97
Booster Precisio 22-28/11/2026 SR	Industrials	2,576	0.97
Top forty investments		**228,451**	**85.88**
Doric Nimrod Air Three Ltd	Industrials	2,380	0.89
RM Infrastructure Income Plc	Financials	2,176	0.82
HDL Debenture 10.375% 93-31/07/2023	Real estate	2,100	0.79
First Quantum 7.5% 01/04/2025	Materials	2,052	0.77
Quilter Plc 23-18/04/2033 FRN	Financials	2,034	0.76
Tufton Oceanic Assets Ltd	Financials	1,894	0.71

Company	Sector	Valuation £'000	Total Investments %
Bluewater Hold 12% 22-10/11/2026	Energy	1,805	0.68
Gaming Innovation 11/06/2024 FRN	Information technology	1,797	0.68
NewRiver REIT plc	Real estate	1,655	0.62
Hipgnosis Songs Fund Ltd	Consumer discretionary	1,592	0.61
Top fifty investments		**247,936**	**93.21**
Greenfood AB 21-04/11/2025 FRN	Consumer staples	1,486	0.56
Kent Global Plc 10% 28/06/2026	Energy	1,363	0.51
Eurobank Ergasia 22-06/12/2032 Frn	Financials	1,343	0.50
Skill Bidco APS 23-02/03/2028 FRN	Industrials	1,231	0.46
Cabonline GR 22-19/04/2026 FRN	Information technology	1,223	0.46
Palace Capital Plc	Real estate	1,099	0.41
West Bromwich BS 18-20/08/2170	Financials	1,072	0.40
N0r5ke Viking 21-03/05/2024 FRN	Information technology	918	0.35
Independent Oil 20/09/2024 FRN	Energy	867	0.33
REA Trading 9.5% 21-30/06/2024	Consumer discretionary	863	0.33
Top sixty investments		**259,401**	**97.52**
Navigator Holdings 8% 10/09/2025	Energy	773	0.29
REA Holdings Plc 7.5% 30/06/2026	Consumer staples	732	0.28
Regional REIT Ltd	Real estate	693	0.26
Marex Group 22-30/12/2170 FRN	Financials	585	0.22
Hoist Finance AB 31/12/2060 FRN	Financials	548	0.21
Harbour Energy Plc	Energy	546	0.21
West Bromwich BS 11% 18-12/04/2038	Financials	454	0.17
Croma Security Solutions Group	Information technology	420	0.16
Secured Income Fund Plc	Financials	321	0.11
New Look Pik Facility16.5% 09/11/2025	Consumer discretionary	307	0.11
Top seventy investments		**264,780**	**99.54**
Other investments (38)		1,231	0.46
Total investments		**266,011**	**100.00**

Notes:
FRN – Floating Rate Note
PERP – Perpetual
PREF – Preference shares
REIT – Real Estate Investment Trust

Ten Largest Holdings

	Valuation 30 June 2022 £'000	Purchases £'000	Sales £'000	Revaluation gain/(loss) £'000	Valuation 30 June 2023 £'000
Galaxy Finco Ltd 9.25% 31/07/2027 A specialist provider of warranties for consumer electric products.	12,774	405	-	(833)	12,346
Co-Operative Finance 25/04/2029 FRN A retail and commercial bank in the United Kingdom.	8,616	2,979	-	357	11,952
Shawbrook Group 22-08/06/2171 FRN A holding company of Shawbrook Bank Limited, a specialist lending and savings bank serving consumers in the UK.	-	13,066	-	(1,149)	11,917
Aggregated Micro 8% 17/10/2036 A British company using small scale, established technologies to convert wood and waste into energy in the form of heat and electricity.	10,900	470	(279)	19	11,110
Virgin Money FRN PERP A British banking company concentrating on UK Retail and small and medium enterprises regional banking services.	12,188	-	-	(1,377)	10,811
REA Finance 8.75% 15-31/08/2025 Cultivator of oil palms in the Indonesian province of East Kalimantan and producer of crude palm oil and palm products from fruit harvested from oil palms.	8,592	-	-	-	8,592
Stonegate Pub 8.25% 20-31/07/2025 Operator of various formats ranging from high-street pubs and traditional country inns to local community pubs, student pubs and late-night bars and venues in the UK.	8,308	-	-	18	8,326
Barclays Plc 22-15/12/2170 FRN A global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services.	-	8,676	-	(414)	8,262
Albion Financing 8.75% 21-15/04/2027 A financing company for Aggreko which is a global provider of power and temperature control solutions to customers.	7,221	-	-	503	7,724
Diversified Energy Co Plc Energy Company focusing on US natural gas.	7,490	1,435	-	(1,738)	7,187
	76,089	27,031	(279)	(4,614)	98,227

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 can be identified and either avoided or controlled. The Board has established a detailed framework to manage the key risks that the Company is exposed to, with associated policies and processes devised to mitigate or control those risks.

Principal risks and mitigations are discussed regularly at Board and Audit and Risk Committee meetings. At the meeting held in May 2023, the Board discussed risk appetite and considered whether principal risks were increasing, decreasing or static during the course of the year, including reviewing the impact of economic uncertainty and heightened levels of inflation and interest rates since the lifting of COVID-19 restrictions and as a result of the conflict in Ukraine. The Board also considered any new or emerging risks.

The principal risks and mitigating factors faced by the Company are set out below.

Risk	Description	Controls
Dividend and earnings risk	The earnings that underpin the amount of dividends declared and future dividend growth are generated by the Company's underlying portfolio. One or more of the following factors could adversely affect the Company's earnings and thereby, its ability to declare a dividend: • A persistent low interest rate environment. • A contraction of available investment opportunities suitable for the Company, given its investment objective and its policy. • The persistence of adverse market conditions or government intervention during a macro-economic crisis resulting in cuts to dividend income. • Adverse changes to the tax treatments applicable to the Company's stream of investments and dividend income. Although there have been increases in interest rates which support the Company's dividend payments, there is still heightened economic uncertainty that could impact the value of the Company's earnings.	The Board has engaged with CQS (UK) LLP (the "Investment Manager"), to manage the Company's portfolio and therefore depends upon the Investment Manager to construct an appropriate portfolio that will produce income allowing the Company to meet its dividend target. The Board monitors the implementation of the investment strategy, by reviewing the performance of the Investment Manager on an ongoing basis and by receiving a formal presentation from the Investment Manager on a quarterly basis. The Board receives and reviews detailed income forecasts prepared by the Investment Manager and BNP Paribas S.A., Jersey Branch ("BNP Paribas" or the "Administrator") when the quarterly dividends are declared. The Company holds revenue reserves of £16,020,000 and cash balance of £6,597,000 as at 30 June 2023 which could be used for the maintenance of the Company's dividend target in adverse market conditions.
Market risk leading to a loss of share value	The Company's assets consist principally of listed fixed interest securities and equities. Its greatest risks are consequently market related, with exposure to 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. A downturn in capital markets could lead to a loss in value of the Company's shares, eroding the premium and causing the shares to trade at a discount. This risk is heightened by the impact of supply chain issues, labour shortages, high energy costs, the conflict in Ukraine and Russian sanctions. Failure of investee companies to respond to the transition to clean energy in an appropriate and timely fashion could lead to a decline in their profitability and ultimately impact their ability to deliver value.	The Board relies upon the research capabilities of the Investment Manager and the people it employs that can use their expertise to build a portfolio, utilising diversification, to mitigate market risk to the extent possible. The Board monitors the implementation of the investment strategy, reviews the performance of the Investment Manager on an ongoing basis and receives a formal presentation from the Investment Manager on a quarterly basis. At this time, the Board reviews the performance of the Company's investments, including both realised and unrealised gains and losses. The Investment Manager incorporates sustainability factors into its investment process. Following the collapse of Credit Suisse, values in the AT1 market fell and this negatively impacted the NAV of the Company which holds an exposure to AT1 debt instruments. Further instability in this market could reduce values further, conversely a recovery in market confidence in this sector could increase the value of its holdings.

Risk	Description	Controls
Key person risk	Performance of the Company may be negatively affected by a change in the fund management team within the Investment Manager.	The lead fund manager is responsible for day-to-day portfolio management. The Investment Manager has put in place succession and transition plans in the event the lead fund manager becomes incapacitated. In addition, an Investment Committee at the Investment Manager also decides key stock selection. The Board monitors and reviews the performance of the Investment Manager on an ongoing basis and receives a formal presentation from the Investment Manager at each Board meeting. The Management Engagement Committee of the Company formally reviews the performance of the Investment Manager annually.
Gearing risk	A fall in the value of the underlying investments could adversely affect the Company's level of gearing and exacerbate the decline in value. It could also result in a breach of loan covenants.	Gearing levels and compliance with loan covenants are monitored by the Administrator and the Investment Manager on a monthly basis. The Board reviews compliance with the gearing levels and loan covenants at regular Board meetings. The Board sets the gearing limits. Gearing will not exceed 25% of Shareholders' funds at the time of borrowing.
Geopolitical risk	The Russian invasion of Ukraine has negatively impacted supply chains and increased prices, critically in energy and food and inflation is increasing across Europe. Ongoing tension caused by the conflict has heightened market uncertainty and increased investment risk. Although energy prices have abated somewhat with the arrival of summer, inflation remains high in the UK and Europe and market uncertainty persists.	The Investment Manager has reviewed the portfolio to understand the susceptibility of investments to market disruption and the results of this review has been discussed with the Board. The robustness of corporate business models during this period of heightened uncertainty is considered both in relation to the current portfolio and as part of investment decision-making.
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. Failures at these third parties could adversely impact 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.	The operating effectiveness of third party service providers is regularly tested, monitored and reported on at each Board meeting. The Audit and Risk Committee receives an International Standard for Assurance Engagement ("ISAE") 3402 report (report on the description of controls placed in operation, their design and operating effectiveness) on Fund Administration. The Investment Manager 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 area of concern relevant to the Company is discussed with the Audit and Risk Committee when it meets.
Regulatory risk	The breach of existing regulatory rules (in Jersey and/or the UK) or failing to adopt changes in regulatory rules in a timely manner, which could lead to a suspension of the Company's stock exchange listing or financial penalties.	The Company Secretary monitors the Company's compliance with the Listing Rules of the UK Listing Authority. Compliance with the Listing Rules is reviewed on a quarterly basis. The Company's compliance officer monitors the regulatory rules applicable to Jersey funds and the Board receives a quarterly report from the compliance officer. The Administrator is regulated by the Jersey Financial Services Commission.

Risk	Description	Controls
Cyber risk ▲	Previously included in operational risk, cyber risk is separately identified given the increasingly sophisticated cyber attacks now in evidence. Conflict in Europe heightens the risk of malpractice in cyber systems generally. A cyber attack at one of the Company's key service providers could result in loss of key data, loss of availability of systems, a ransomware demand, General Data Protection Regulation breaches and reputational damage.	As well as reviewing controls reports on the Company's service providers, the Board requests information on cyber controls, cyber insurance and any material cyber breaches from those key service providers.
Market demand ▲	The change to a high inflation, high interest rate environment is likely to impact the relative attractiveness of investments and shifting patterns of investment. There could be negative investor sentiment if investments held are deemed unacceptable from an ESG policy perspective, as investors attitudes develop towards these issues.	The Company has generally traded at a premium to NAV. Any reduction in the premium or move to a discount is discussed with the Investment Manager and Singer Capital Markets (the "Broker"), with a view to taking action, if considered appropriate. The Investment Manager and the Broker hold regular Shareholder meetings through which investor sentiment can be gauged. Topics discussed include the performance of the Company, market liquidity, supply and demand conditions, ESG and sustainability and the dividend policy. The Board is available to investors at the Annual General Meeting ("AGM") and at meetings throughout the year on request, to discuss any feedback on the Company's strategy or performance. The Board regularly discusses with the Investment Manager the impact of climate change and other ESG topics and any appropriate changes to the Company's strategy.

▲ Increase in risk for the year ended 30 June 2023 in comparison to previous year.

◀▶ Risk remains static from previous year.

▼ Decrease in risk for the year ended 30 June 2023 in comparison to previous year.

Emerging risks

During Board discussions on principal risks and uncertainties, the Board considered any risks that were not an immediate, quantifiable threat but could materialize and could have significant impact on the ability of the Company to continue to meet its objectives. Areas discussed include longer-term impacts of climate change on the Company's portfolio and returns, geopolitical risk due to the conflict in Ukraine and the impact of heightened economic uncertainty on different sectors of the economy. The Board regularly discusses these with the Investment Manager and receives feedback based on the Investment Manager's research and discussions with Shareholders and the Broker. The Investment Manager's ESG policy was reviewed and discussed with the Investment Manager during the year. The Board will continue to assess these emerging risks on a regular basis and continue to monitor and assess the requirements of impending mandatory regulations for Task Force on Climate-related Financial Disclosures ("TCFD") and EU Sustainable Finance Disclosure Regulation.

Longer term, the positive and negative potential for Artificial Intelligence to transform both the investment management industry and the sectors in which the Company invests, was discussed.

Stakeholders – Section 172 Statement and Principal Decisions

Through adopting the Association of Investment Companies' ("AIC") Code of Corporate Governance (the "AIC Code"), the Board acknowledges its duty to comply with section 172 of the UK Companies Act 2006 to act in a way that promotes the success of the Company for the benefit of its members as a whole, having regard to (amongst other things):

a) consequences of any decision in the long-term;

b) the interests of the Company's employees;

c) need to foster business relationships with suppliers, customers and others;

d) impact on community and environment;

e) maintaining reputation; and

f) act fairly as between members of the Company.

Information on how the Board has engaged with its stakeholders and promoted the success of the Company, through the decisions it has taken during the year, whilst having regard to the above, is outlined below. The Company has no employees.

Stakeholder	How the Board engages
Shareholders	Shareholders provide the capital to allow the Company to be in existence and to pursue its purpose and strategy. Accordingly, Shareholder support is essential to the continued survival and success of the Company. The Board recognises that it is important to maintain appropriate contact with major Shareholders to understand their issues and concerns. The Board engages with its Shareholders by: 1) publishing daily NAV announcements; 2) publishing monthly fact sheets on the Company's website; 3) publishing half yearly and annual reports and accounts; 4) making themselves available to meet major Shareholders as requested; 5) obtaining Shareholder feedback received via the Investment Manager and the Broker; and 6) making themselves available to questions from Shareholders at the AGM.
Service providers	As a Company with no employees, the Board is reliant on third party service providers to help the Company operate in a compliant and efficient manner. The Board engages with its service providers by: 1) receiving detailed written and verbal reports at board meetings; 2) regular communication with representatives via telephone and email to discuss ad hoc matters; and 3) undertaking an annual review via the Management Engagement Committee.
The wider community and the environment	As a responsible corporate citizen, the Company recognises that its operations have an environmental footprint and impact on wider society. The Board fully supports the growing importance placed on ESG factors when asking the Company's Investment Manager to deliver against the Company's objectives. The Board has 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. The Investment Manager has stated that they view ESG factors as a key driver of financing costs, valuations and performance, while also being capable of acting as a lever to shape and influence the world for generations to come. The integration and assessment of ESG factors is a crucial part of this commitment and a key factor in the Investment Manager's decision-making. Through embedding ESG into its investment process, the Investment Manager seeks to enhance its ability to identify value, investment opportunities and critically, to generate the best possible returns for its stakeholders. The Investment Manager is a signatory to the United Nations Principles for Responsible Investment ("PRI"), fully supporting all Principles for Responsible Investment. The Investment Manager is currently working on the TCFD recommendations. Please refer to page 25 for more details.

Principal decisions

Review of dividend policy:

The Board recognises the importance Shareholders place on the Company's dividend policy and is cognisant of the need to ensure the viability of the dividend.

It was agreed it was in the best interests of the Company and Shareholders to marginally increase the fourth interim dividend for the year.

Change in external auditors:

During the year, it was decided to run a tender process for the external audit of the Company and PricewaterhouseCoopers CI LLP ("PwC" or the "Auditor") was appointed as auditor. Further details are provided in the Report of the Audit and Risk Committee on pages 26 to 27.

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 2023. 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.

Principal activity and status

The Company is a closed-ended investment company and was incorporated with limited liability in Jersey under the Companies (Jersey) Law 1991 on 17 January 2007, with registered number 95691. In addition, the Company constitutes and is regulated as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988.

The Company's ordinary shares are listed on the Official List maintained by the Financial Conduct Authority ("FCA") and admitted to trading on the Main Market of the London Stock Exchange ("LSE").

Purpose and strategy

The Company's purpose is stated on the inside front cover of this report.

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-ended investment companies and open-ended collective investment schemes.

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.

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

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% (calculated at the time of any relevant investment) of the Company's total assets. In addition, the Company may invest up to 10% (calculated at the time of any relevant investment) of its total assets in other securities that are neither listed nor traded at the time of investment.

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

The Board has established a maximum investment limit whereby, at the time of investment, the Company may not invest more than 5% 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% 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.

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 KPIs are as follows:

- **Dividend yield and dividend cover**

  The Company pays four quarterly dividends each year and accordingly, the Board reviews the Company's dividend yield and dividend cover on a quarterly basis. For the year ended 30 June 2023, the Company's dividend yield was 9.64% (2022: 8.75%) based upon a share price of 46.60 pence (bid price) as at 30 June 2023 (2022: 51.20 pence) and its dividend cover was 1.00x (2022: 0.93x).

- **Revenue earnings and dividends per ordinary share**

  The Company has opted to follow the AIC Statement of Recommended Practice ("SORP") and in accordance with the provisions of the AIC SORP, distinguishes its profits derived from revenue and capital items. The Company declares and pays its dividend out of only the revenue profits of the Company. The revenue earnings, whether generated this year or in previous years and held in revenue reserves, represent the total available funds that the Directors are able to make a dividend payment from. The Board reviews revenue forecasts on a quarterly basis in order to determine the quarterly dividend. In respect of the current financial year, the Company declared dividends of 4.49 pence per ordinary share (2022: 4.48 pence) out of revenue earnings per ordinary share of 4.51 pence per ordinary share (2022: 4.16 pence).

- **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 2023 was 1.16% (2022: 1.19%).

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 APMs under guidance issued by the European Securities and Markets Authority. Additional information explaining how these are calculated is set out in the APMs section on pages 54 to 56.

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 secondary market.

At each AGM 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 either liquidate or otherwise reconstruct or reorganise the Company. Given the performance of the Company, input from the Company's major Shareholders and its Broker and considering that 98% of the Shareholder's votes at the last AGM held on 1 December 2022, were in favour of the continuation of the Company, the Board considers it likely that Shareholders will vote in favour of continuation at the forthcoming AGM.

The Company's existing loan facility as detailed on page 44 is due to expire on 17 December 2023 after which it is anticipated the Company will take out a new facility on comparable terms. After making enquiries of the Investment Manager and having considered the Company's investment objective, nature of the investment portfolio, loan facility, expenditure projections and impact of the current geo-political and market uncertainty on the Company, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements, notwithstanding that the Company is subject to an annual continuation vote as described above.

Viability Statement

In accordance with the provisions of the AIC Code, the Directors have assessed the viability of the Company over a period longer than the 12 months required by the 'Going concern' provision. 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.

Whilst the Directors do not expect there to be any significant changes to the current principal and emerging risks facing the Company, certain risks have increased due to the general economic environment, rising interest rates and global rise in inflation. Despite these increased risks, the Directors believe that the Company has sufficient 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 foreseen. 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 AGM which the Board considers will be voted in favour of by Shareholders; and (ii) carried out a robust assessment of the principal and emerging risks facing the Company. These risks and their mitigations are set out on pages 9 to 11.

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, a series of stress tests was carried out 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 contributes to the stability and liquidity along with flexibility to be able to react positively to market and political forces beyond the Board's control.

The Board also considered the impact of potential regulatory changes and the control environment of significant third party providers, including the Investment Manager.

The Scotiabank Europe Plc ("Scotiabank") loan facility is due to expire on 17 December 2023. It is anticipated a new facility on comparable terms will be negotiated prior to this date.

The Board carries out stress testing on a range of downside scenarios to ensure that the Company can meet its liabilities in full.

Based on the Company's processes for monitoring revenue and costs, with the use of frequent revenue forecasts and the Investment 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.

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.

Greenhouse gas emissions

The Board recognises its impact on the environment, including greenhouse gas emissions, through the underlying portfolio companies which it invests in. The Board requested that ESG factors be incorporated into the Company's investment strategy and further details on ESG can be found on page 25.

Modern slavery

The Company would not fall into the scope of the UK Modern Slavery Act 2015 (as the Company does not have any turnover derived from goods and services) if it was incorporated in the UK. Furthermore, as a closed-ended investment company, the Company has a non-complex structure, no employees and its supply chain is considered to be low risk given that suppliers are typically professional advisers based in either the Channel Islands or the UK. Based on these factors, the Board determined that it is not necessary for the Company to make a slavery and human trafficking statement.

By Order of the Board

Caroline Hitch
Chair

14 September 2023

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 the International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable law.

Under Companies (Jersey) Law 1991, 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 the 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

Chair

14 September 2023

Board of Directors and Investment Manager

Caroline Hitch

Independent Non-Executive Chair

Appointed: March 2018

Skills: Caroline has extensive fund management skills including specialist fixed income portfolios. She has a deep understanding of investment risk and risk management both as it applies to individual assets and to overall portfolio construction. She developed her skills of investment trust board governance through many years of managing regulated funds, reporting to their boards and then becoming a board member (and now Chair) herself.

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: £45,000 per annum (effective as from 1 July 2023)

Public company directorships:
Schroder Asian Total Return Investment Company plc and abrdn Equity Income Trust plc

Shared Directorships with any other Fund Directors:
None

Duncan Baxter

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

Appointed: July 2015

Skills: Duncan has a broad knowledge of the finance sector gained from holding senior leadership positions across a number of International Banks and Trust companies. Having also worked on investment company boards, some of which in the position of Chair, Duncan has had exposure to equity raises and discount management.

Experience: Duncan is a retired senior banker with many years' experience of international banking, latterly as Managing Director of Swiss Bank Corporation/UBS in Jersey. Since leaving Swiss Bank Corporation/UBS in the late 1990s, Duncan has undertaken a number of consultancy projects for international banks, trust and investment management companies, plus acted on a number of investment company boards. He has experience of stewardship and investment in several investment companies over twenty years and in addition as a non-executive director of a number of operating public and private companies. Duncan is a Jersey resident.

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

Remuneration: £32,500 per annum (effective as from 1 July 2023)

Public company directorships: None

Shared Directorships with any other Fund Directors:
None

Wendy Dorman

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

Appointed: March 2016

Skills: Wendy is a Chartered Accountant with significant experience in tax, audit and commercial accountancy matters mainly focused on the investment fund sector. Her extensive experience chairing audit committees of public listed entities gives her the requisite leadership skills in addition to those of accounting and governance.

Experience: Wendy began her career in audit and assurance before specializing in taxation, with a focus on financial services and in particular the investment fund sector. She retired as partner in charge of the PwC Channel Islands tax practice in June 2015 and has since then served as non-executive director and audit committee chair of main market listed companies. Wendy is a Jersey resident.

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

Remuneration: £39,000 per annum (effective as from 1 July 2023)

Public company directorships:
3i Infrastructure plc and Jersey Electricity Plc

Shared Directorships with any other Fund Directors:
None

John Newlands

Independent Non-Executive Director and Chair of the Remuneration Committee

Appointed: October 2017

Skills: John's 20-plus years' career as an investment company analyst, with a particular focus upon the UK wealth management sector, gives the Board an important insight into the investment requirements and processes of the types of investor, whether private or institutional, most likely to consider the Company for inclusion in their portfolios. He is also skilled in the assessment of potential peer group funds, both in terms of relative performance and other quantitative data and in the increasing focus upon governance and stewardship matters as pre-requisites for investment.

Experience: John joined the Board shortly after working in the managed funds sector since the mid-1990s, the last ten years being spent as Head of Investment Companies Research at Brewin Dolphin Limited. He was a member of the AIC Statistics' Committee from 2000 to 2017 and is a member of the Citywire Investment Trust Performance Awards Panel. He has a Master in Business Administration from Edinburgh University Business School and is a Chartered Electrical Engineer dating to his prior career as a Weapon Engineer Officer in the UK Royal Navy. John is the Deputy Chair of the Investment Committee of Durham Cathedral. He has written four books about financial history, the most recent charting the history of The Scottish American Investment Company plc.

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

Remuneration: £32,500 per annum (effective as from 1 July 2023)

Public company directorships:
Develop North plc and Gabelli Merger Plus Trust plc

Shared Directorships with any other Fund Directors:
None

Ian Cadby

Independent Non-Executive Director and Chair of the Nomination Committee

Appointed: January 2017

Skills: Ian is a Chartered Fellow of the Chartered Institute for Securities & Investment. His extensive governance experience on public and private company boards as well as a long career as a regulated person (CF3, CF2 and CF1 controlled functions) in the asset management industry gives him a broad and relevant skill set for the Board.

Experience: Ian has over 30 years' experience within the financial services industry in London, Hong Kong and Jersey with a strong career emphasis on equity and equity derivative trading, 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: £32,500 per annum (effective as from 1 July 2023)

Public company directorships:
abrdn Asian Income Fund Limited

Shared Directorships with any other Fund Directors:
None

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 30 June 2023, US$16.1 billion assets under management (including mandates with discretionary management, sub-investment discretionary management, investment advice, collateral management and intermediation). In 2014, NCIM's rights and obligations under the Investment Management Agreement between the Company and NCIM were then transferred to CQS Cayman Limited Partnership ("CQS Cayman"). Consequently, CQS Cayman 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 Cayman was terminated.

Ian Francis has day-to-day responsibility for managing the Company's portfolio and is supported by the CQS (UK) LLP team. He joined the NCIM team in 2007. He has over 40 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 Cayman, 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. The 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 BNP Paribas to act as the Company's depositary.

Further AIFMD disclosures are shown on page 60.

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 30 June 2023.

Results and dividends

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

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 next AGM.

Bank loan facility

The Company has a short-term unsecured loan facility with Scotiabank. As at the year-end, the unsecured loan facility had a limit of £45,000,000 of which £35,000,000 was drawn down.

The Company's existing loan facility is due to expire on 17 December 2023 after which it is anticipated the Company will take out a new facility on comparable terms.

Share capital

As at 30 June 2023, there were 524,601,858 (2022: 476,651,858) ordinary shares in issue. During the year ended 30 June 2023, the Company issued 47,950,000 (2022: 31,600,000) ordinary shares. Full details of these transactions are shown in note 13 on page 45 of this report.

Acquisition of own shares

At the 2022 AGM, held on 1 December 2022, the Directors were granted authority to repurchase ordinary shares (being equal to 14.99% of the aggregate number of ordinary shares in issue at the date of the AGM) for cancellation, or to be held as treasury shares. This authority, which has not been used, will expire at the upcoming AGM. The Directors intend to seek annual renewal of this authority from Shareholders.

Directors' shareholdings

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 2023	At 30 June 2022
D A H Baxter	195,127	195,127
I Cadby	25,000	25,000
W Dorman	149,529	112,000
C Hitch[1]	211,500	211,500
J E Newlands	10,000	10,000

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

On 26 September 2022, Wendy Dorman purchased additional 37,529 ordinary shares.

There were no other changes in the ordinary share holdings of the Directors between 1 July 2023 and 14 September 2023.

Substantial interests in share capital

During the year ended 30 June 2023, the Company had not been notified in accordance with Chapter 5 of the UK Listing Authority's Disclosure Guidance and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), of Shareholders that had an interest of greater than 5% in the Company's issued share capital.

Investment management

As part of its strategy for achieving its objectives, the Board has delegated the management of the investment portfolio to the Investment Manager, with Ian Francis as the lead fund manager. Further details are provided in note 23 to the Financial Statements.

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 Investment 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 (UK) LLP as AIFM and Investment Manager as set out on page 19 is in the interests of Shareholders as a whole.

Administration services

BNP Paribas was appointed as the Company Secretary, Administrator, Custodian, Banker and Depository on 28 November 2019.

Independent Auditor

KPMG Channel Islands Limited was appointed as the Company's auditor effective 17 June 2019.

Following a tender process in 2023, PwC has been appointed as the Company's new auditor effective 5 July 2023.

A resolution to re-appoint PwC as the Company's auditor will be proposed at the Company's 2023 AGM.

Delegation of responsibilities and matters reserved for the Board

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.

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.

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.

Disclosures required under Listing Rules ("LR") 9.8.4R

The FCA's LR 9.8.4R requires that the Company includes certain information relating to arrangements made between a controlling shareholder and the Company, waivers of Directors' fees and long-term incentive schemes in force. The Directors confirm that there are no disclosures to be made in this regard.

Events after reporting date

The Board has evaluated material subsequent events for the Company occurred during the period from 1 July 2023 through to 14 September 2023 and their effect on the Financial Statements. A list of these events is disclosed in note 24.

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.

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 investment companies in particular.

By Order of the Board

Caroline Hitch

Chair

14 September 2023

The Board and Committees

Values and culture

The Board conducts itself with the core values of integrity, transparency, acceptance of challenge and accountability. It achieves this through a collaborative culture and a sense of shared endeavour. The Board is focused on meeting objectives for investors and all other stakeholders of the Company in a sustainable and responsible way.

The Board

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

The dates on which the Directors were appointed are contained within their biographies shown on pages 17 to 18. In accordance with the AIC Code, all Directors submit themselves for re-election on an annual basis.

New Directors receive an induction from the Company Secretary on joining the Board and all Directors receive other relevant training as necessary. Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors. There is no notice period and no provision for compensation upon early termination of appointment.

The Company has neither executive Directors nor 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.

All committees' terms of reference, the schedule of matters reserved for the Board, the roles and responsibilities of the Chair and the roles and responsibilities of the Senior Independent Director are available on the Company's website.

Director attendance

Directors have attended Board and Committee meetings during the year ended 30 June 2023 as follows:

	Quarterly Board meetings	Ad Hoc Board Meeting[1]	Audit and Risk Committee meetings	Management Engagement Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
C Hitch (Chair)	4/4	4/4	3/3	1/1	1/1	1/1
D A H Baxter	4/4	2/4	3/3	1/1	1/1	1/1
W Dorman	4/4	3/4	3/3	1/1	1/1	1/1
I Cadby	4/4	4/4	3/3	1/1	1/1	1/1
J E Newlands	4/4	4/4	3/3	1/1	1/1	1/1

[1] Ad hoc board meetings are sometimes called at short notice and only require the attendance of Jersey based directors, where possible the UK based directors attend via telephone but do not count towards the quorum.

Nomination Committee

The Nomination Committee, chaired by Ian Cadby, operates within clearly defined terms of reference, 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.

Board evaluation

During the year, through the work of the Nomination Committee, the Board engaged an independent external firm, Fletcher Jones Limited, to facilitate a review of the Board, its Committees and the performance of individual Directors, including the Chair. The process resulted in the production of a report to the Board by Fletcher Jones Limited summarising the findings of the review. The results of the report were discussed by the Board following its completion. Following the evaluation process, the Board believes that it continues to operate in an efficient and effective manner with each Director making a significant contribution to the Board. That said, the Board will always continue to look at incremental improvements to its processes and succession planning, including in relation to the diversity of the Board. The Company and the Directors do not have any other relationships with Fletcher Jones.

Diversity and inclusion

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 ethnicity) and knowledge of the Company on its Board and are endeavouring to meet diversity targets.

The below tables set out the Board's composition as at 30 June 2023, in terms of gender identity and ethnic background. The below text compares this against the targets prescribed by LR 9.8.6R (9)(a).

Number of Board members	Percentage of the Board	Senior positions on the Board (Senior Independent Director and Chair)
Men: 3	60%	**Duncan Baxter** – Senior Independent Non-Executive Director
Women: 2	40%	**Caroline Hitch** – Chair of the Board **Wendy Dorman** – Chair of the Audit and Risk Committee

	Number of Board members	Percentage of the Board	Senior positions on the Board (Senior Independent Director and Chair)
White British or other White (including minority-white groups)	5	100%	**Duncan Baxter** – Senior Independent Non-Executive Director **Caroline Hitch** – Chair of the Board **Wendy Dorman** – Chair of the Audit and Risk Committee
Mixed/Multiple Ethnic Groups	Nil	N/A	N/A
Asian/Asian British	Nil	N/A	N/A
Black/African/Caribbean/ Black British	Nil	N/A	N/A
Other ethnic group, including Arab	Nil	N/A	N/A
Not specified/ prefer not to say	Nil	N/A	N/A

At present none of the Board members are from minority ethnic backgrounds which is below the target of one as prescribed by LR 9.8.6R (9)(a). The Board are mindful of this and alongside knowledge and expertise, this will form a key consideration when the Board next recruits. The Nomination Committee is building diversity targets into its succession plans.

Succession planning

A key duty of the Nomination Committee is to ensure plans are in place for orderly succession to the Board. The Board has adopted a succession plan scheduled to allow for an orderly refreshment of the Board, with the intention that no director serves longer than nine years, other than in exceptional circumstances. Our succession planning takes into account gender and ethnic diversity targets.

Management Engagement Committee

The Management Engagement Committee, chaired by Duncan Baxter, operates within clearly defined terms of reference, comprises the full Board, reviews the appropriateness of the Investment Manager's continuing appointment together with the terms and conditions thereof and reviews 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.

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.

Audit and Risk Committee

The composition and role of the audit and risk committee is described on page 26.

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. The Directors obtain regular feedback from the Investment Manager and Broker regarding shareholder engagement and will make themselves available to shareholders upon request. 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 and invites questions at the Company's Annual General Meeting.

A regular dialogue is maintained with the Company's institutional Shareholders. The Company Secretary is available to answer general Shareholder queries at any time throughout the year.

By Order of the Board

Caroline Hitch

Chair

14 September 2023

Statement of Compliance with the AIC Code

Introduction

The Company has a premium listing on the LSE and is therefore required to report on how the principles of the UK Code have been applied. Being an investment company, a number of the provisions of the UK Corporate Governance Code (the "UK Code") are not applicable as the Company has no executive directors or internal operations.

The Board has considered the principles and provisions of the AIC Code. The AIC Code addresses all the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code provides more relevant information to stakeholders. The AIC Code is available on the AIC's website www.theaic.co.uk.

The Company has complied with all the principles and provisions of the AIC Code during the year ended 30 June 2023.

Set out below is where stakeholders can find further information within the Annual Report about how the Company has complied with the various Principles and Provisions of the AIC Code.

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[1] The Company did not appoint any new Directors during the year.

Environmental, Social and Governance ("ESG") Statement

Introduction

The Company is a Jersey domiciled and UK LSE listed investment company whose objective is to provide investors with a high gross dividend yield and the potential for capital growth by mainly investing in high yielding fixed interest securities. The Board fully supports the growing importance placed on ESG factors when asking the Company's Investment Manager to deliver against the Company's objectives. The Board has 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.

CQS (UK) LLP Responsible Investment Policy incorporating our ESG Statement

CQS (UK) LLP views ESG factors as significant drivers influencing financing costs, risk assessment valuations and performance. The assessment, integration and engagement of ESG factors are a crucial part of the Investment Manager's responsible investment commitment. By embedding responsible investment into its investment process, the Investment Manager seeks to enhance its ability to identify value, investment opportunity, risk and, critically, to generate the best possible returns and outcomes for its clients.

The Investment Manager is a signatory to the United Nations PRI, the UK Stewardship Code, the Net Zero Asset Managers' initiative and the Institutional Investors Group on Climate Change.

TCFD is a global initiative to promote consistent and transparent reporting of climate-related risks and opportunities by companies and financial institutions. Starting in 2024, the Investment Manager will publish annual product-level TCFD reporting for the Company which will enable investors to make informed choices based on consistent and comparable information about the climate impact of the Company.

At the time of writing 35.9% (2022: 29.0%) of the Company's portfolio is covered by Morgan Stanley Capital International ("MSCI") for their ESG rating service. MSCI has a minimum 50% threshold for fixed interest portfolios before the Investment Manager is able to provide a meaningful MSCI ESG fund rating for the portfolio. The Investment Manager monitors this closely and engage to try and further increase the percentage of the portfolio covered.

The Investment Manager has a three-pronged approach to engagement - Targeted Engagement Programmes which map key objectives for priority companies to the UN Sustainable Development Goals, day-to-day engagement as part of the research process and collaborative engagements. Key engagements are monitored and discussed at quarterly Engagement Group meetings and cover environmental, social and governance topics.

An example of this engagement for the Company over the reporting period was the Investment Manager's participation in the 2022 CDP (Carbon Disclosure Project) Non-Disclosure Campaign. The campaign was a collaboration of 263 financial institutions directly engaging with 1,468 of the highest impact companies not currently disclosing environmental data through CDP. The Investment Manager co-signed letters to 63 companies and led on the engagements with 18 of these companies, including a holding within the Company, to encourage better environmental disclosures. As a result of the campaign, 390 companies (27%) in the campaign made disclosures on at least one of the key environmental issues including climate, water and forests.

CQS (UK) LLP has published its Responsible Investment Policy and a link to that policy can be found here:

https://www.cqs.com/documents/cqs-responsible-investment-policy-february-2023.pdf

Report of the Audit and Risk Committee

Membership and meetings

The Audit and Risk Committee ("the Committee") is chaired by Wendy Dorman and comprises the full Board. Committee members have recent and relevant financial experience. The terms of reference of the Committee are reviewed and re-assessed for their adequacy on an annual basis.

The AIC Code requires audit committees who include the Chair of the Board as a member of the Committee to explain why this is felt to be appropriate. The Chair, Caroline Hitch, is a member of the Committee. Caroline was considered independent of the Company on her appointment to the Board in March 2018 and the Committee is satisfied that she remains independent and objective. Her membership of the Committee is deemed appropriate given the size and nature of the Company. The Committee does not believe it compromises the integrity of the Committee or the Board.

The Committee held three scheduled meetings during the year, as well as a number of ad hoc meetings. Meetings were attended, by invitation, by the Investment Manager, external auditor and members of the client service team of the Administrator.

Role of the Audit and 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 half-yearly and annual Financial Statements of the Company by reviewing and challenging where necessary, the actions and judgements of the Investment Manager, the Company Secretary and the Administrator;
- to advise the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's strategy, business model, position and performance;
- to meet with the external Auditor 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 is ultimately responsible for the Annual Report and Financial Statements. The 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 Company has adopted and reports against the AIC Code. The Committee oversaw the work performed by the Company Secretary in ensuring that the Company is in compliance with the principles and provisions of the AIC Code, which is reported on in the Statement of Compliance with the AIC Code section on page 12.

The valuation of investments was a key area of focus given their significance to the Financial Statements as a whole. Following discussion with the Investment Manager and external auditor, the Committee gained comfort over the valuation as included in the Annual Report and Financial Statements.

The Committee reviewed and considered the Annual Report and Accounts to be fair, balanced and understandable and recommended the Board's approval.

External auditor

KPMG were appointed as the Company's external auditor at the inception of the Company in 2007. A tender process was carried out in 2016 following which the appointment of KPMG was re-affirmed.

In anticipation of the mandatory rotation requirement after a maximum limit of 20 years, the Committee decided to re-tender the audit this year. Three firms were invited to present their audit proposal and after taking into account audit efficiency and effectiveness, use of technology and experience of the team it was decided to appoint PwC.

The Committee has maintained oversight of the audit transition and we are grateful to both PwC and KPMG, as well as our Administrator BNPP, for ensuring a smooth transition. As part of the tender process we confirmed PwC's independence before their appointment.

In the May 2023 Committee meeting, PwC presented their plan for the audit of the Financial Statements for the year ended 30 June 2023 and this was discussed with and agreed by the Committee. At the conclusion of the audit, PwC discussed with the Committee their audit findings and recommendations. PwC did not highlight any issues to the Committee which would cause it to qualify its audit report. PwC issued an unmodified audit report which is included on pages 29 to 33.

As part of the review of auditor independence and effectiveness, PwC has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating PwC, the Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Committee, from direct observation and enquiry of the Investment Manager and the Administrator, are satisfied that PwC provided effective independent challenge in carrying out its responsibilities. The Committee chair, Wendy Dorman was a former tax partner with PwC. She retired from the partnership in 2015 and has no residual connection with the firm. No non-audit services were provided to the Company by PwC during the year.

Following professional guidelines, the audit engagement partner rotates after a maximum of five years. The current audit engagement partner is Mike Byrne and it is his first year as audit engagement partner for the Company.

Significant risks related to the Financial Statements

The main area of accounting risk considered by the Committee during the year in relation to the Company's Financial Statements was the valuation 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 this risk, the Company has appointed an Investment Manager and Custodian with clearly defined contracts and any breaches of these, or any law or regulation which the Company is required to comply with, are reported to the Board. The portfolio holdings and their pricing are 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.

Internal controls

The Committee, on behalf of the Board, is responsible for the Company's system of internal control and for reviewing its effectiveness. 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 Financial Reporting Council's Guidance.

The significant principal and emerging risks faced by the Company, together with mitigating controls, are set out on pages 9 to 11.

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

- the 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;
- the Administrator carried out compliance checks throughout the year in accordance with a Compliance Monitoring Plan approved annually by the Board;
- as a matter of course the Investment Manager's compliance department continually reviews the Investment Manager's operations and reports to the Board on an annual basis and by exception;
- written agreements are in place which specifically define the roles and responsibilities of the Investment Manager, Company Secretary, 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 Administrator, has decided to place reliance on the Investment Manager's, the Company Secretary's and the Administrator's systems and internal audit procedures.

In February 2023, the Board held a strategy and due diligence meeting at the offices of the Investment Manager. This provided an opportunity to discuss the portfolio and strategy in depth and consider the implications of current market conditions for our Company. Discussions were held with various members of the Investment Manager's team and with our Brokers who updated the Board on developments in the market and in our sector.

During the year the Directors carried out an annual assessment of internal controls for each of their service providers namely the Investment Manager, the Company Secretary, the Administrator, the Registrar, the Broker, Jersey and United Kingdom legal advisors and considered documentation from each. The Committee assessed the control environment as sufficiently robust to mitigate any ongoing impact of current economic environment on the Company, together with heightened and increasing risk of cyber security and AI.

The Directors received and reviewed the BNP Paribas' internal controls framework for the year and were pleased to note that no significant issues were identified. The Administrator confirmed that their internal controls were reviewed on an ongoing basis which was overseen by the Group's internal audit team. The Administrator has established an IT Governance framework that is based on a set of Level 2 procedures and IT operations.

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 misstatement and loss.

Wendy Dorman

Chair of the Audit and Risk Committee

14 September 2023

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee, which is chaired by John Newlands, operates within clearly defined terms of reference. 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.

Policy on Directors' remuneration

The Company's Articles of Association limit the aggregate fees payable to the Board 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 2024 and subsequent years.

On 25 May 2023, the Board approved an increased level of remuneration for the Directors with effect from 1 July 2023 as follows:

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

No element of the Directors' remuneration is performance related.

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.

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

Directors' emoluments

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

	2023 £	2022 £
C Hitch (Chair)	**42,500**	42,500
D A H Baxter	**30,000**	30,000
I Cadby	**30,000**	30,000
W Dorman (Audit and Risk Committee Chair)	**36,500**	36,500
J E Newlands	**30,000**	30,000
Totals	**169,000**	**169,000**

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

Voting at AGM

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

Approval

The Directors' Remuneration Report on page 28 was approved by the Board of Directors and signed on its behalf.

On behalf of the Board

Caroline Hitch
Chair

14 September 2023

Independent auditor's report

to the Members of CQS New City High Yield Fund Limited

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of CQS New City High Yield Fund Limited (the "company") as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The company's financial statements comprise:

- the statement of financial position as at 30 June 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the company, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- The company is an investment company, incorporated and based in Jersey, with ordinary shares listed on the Main Market of the London Stock Exchange.
- We conducted our audit of the financial statements using information provided by BNP Paribas S.A., Jersey Branch (the "administrator") and CQS (UK) LLP, (the "manager").
- Our audit work was performed in Jersey. We tailored the scope of our risk-based audit considering the types of investments held by the company, the accounting processes and controls, and the industry in which the company operates.

Key audit matters

- Valuation and ownership of financial assets at fair value through profit or loss.
- Investment income recognition.

Materiality

- Overall materiality: £2,404,000 based on 1% of net asset value.
- Performance materiality: £1,202,000.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation and ownership of financial assets at fair value through profit or loss *Refer to Note 1 (Accounting policies), Note 9 (Financial assets at fair value through profit or loss), and Note 22 (Fair value hierarchy) to the financial statements* We focused on the valuation and ownership of financial assets at fair value through profit or loss ("investments") because investments represent the principal element of the net asset value as disclosed on the statement of financial position in the financial statements. The valuation of investments drives several key performance indicators, such as net asset value, which is of significant interest to investors. Items classified as being level 1 or level 2 in the fair value hierarchy together comprise 99.96% of the investment portfolio. The nature of level 1 and level 2 investment valuations is not deemed to be complex as they are based primarily on quoted prices from independent pricing sources. However, the magnitude of the amounts involved means that there is potential for material misstatement. If the investments recorded were found not to represent what was owned by the company, this could have a significant impact on the financial statements.	We understood and evaluated the design and implementation of controls over the valuation of investments at the administrator for the level 1 and level 2 investments. We assessed the accounting policy for valuation of investments for compliance with applicable accounting standards and assessed whether investments had been accounted for in accordance with the stated accounting policy. We used independent third-party pricing sources to recalculate the valuation of all level 1 and level 2 positions within the investment portfolio and compared it to the valuation performed by management. For 100% of the investment portfolio, we obtained an independent third-party confirmation from the company's custodian and compared it to the company's records of investment ownership. We have no matters to report.
Investment Income recognition *Refer to Note 1 (Accounting Policies) and Note 2 (Investment Income) to the financial statements.* Investment income is earned primarily through interest generated from fixed interest securities and dividend income recognised in the year. The calculation and recognition of income receipts and accrued income is not considered to be complex. We identified the accuracy, occurrence and completeness of income from fixed interest securities and dividend income to be a key audit matter, because the incomplete or inaccurate recognition of income could have a material impact on the company's financial performance for the year.	We assessed the accounting policy for income recognition for compliance with applicable accounting standards and assessed whether income had been accounted for in accordance with the stated accounting policy. For a sample of fixed interest securities, we traced the rates of interest to independent sources and recalculated the income recognised by the company. For a sample of equity dividends, we traced the dividend per share to independent sources and recalculated the income recognised by the company. We traced a sample of income receipts to bank statements for income received, and the accrued income listing for items accrued at the year-end. To address the risk of incomplete income recognition, using the investment ledger of investments held by the company throughout the year ended 30 June 2023, for a sample of investments, reconciled the income recognised by the company to independent information on the income declared by each investment within the sample, based on the holding at the ex-dates, including testing accrued income as at 30 June 2023. We have no matters to report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, the industry in which the company operates, and we considered the risk of climate change and the potential impact thereof on our audit approach.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£2,404,000
How we determined it	1% of net asset value
Rationale for benchmark applied	We believe that net assets is the most appropriate benchmark because this is a key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 50% of overall materiality, amounting to £1,202,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors – risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £120,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all the information included in the Annual Report & Financial Statements (the "Annual Report") but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Jersey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Company Law exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

The company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the company's obligations, as an investment company, under the Listing Rules of the FCA.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' 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 its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and

- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Michael Byrne
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands

14 September 2023

Statement of Comprehensive Income

For the year ended 30 June 2023

	Notes	Year ended 30 June 2023 Revenue £'000	Year ended 30 June 2023 Capital £'000	Year ended 30 June 2023 Total £'000	Year ended 30 June 2022 Revenue £'000	Year ended 30 June 2022 Capital £'000	Year ended 30 June 2022 Total £'000
Net capital gains/(losses)							
Losses on financial assets at fair value	9	**-**	**(17,988)**	**(17,988)**	-	(14,459)	(14,459)
Foreign exchange (loss)/gain[1]		**-**	**(252)**	**(252)**	-	61	61
Revenue							
Investment income	2	**26,229**	**-**	**26,229**	22,362	-	22,362
Total income		**26,229**	**(18,240)**	**7,989**	22,362	(14,398)	7,964
Expenses							
Investment management fee	3	**(1,591)**	**(530)**	**(2,121)**	(1,595)	(531)	(2,126)
Other expenses	4	**(647)**	**(89)**	**(736)**	(772)	(75)	(847)
Total expenses		**(2,238)**	**(619)**	**(2,857)**	(2,367)	(606)	(2,973)
Profit/(loss) before finance income/(costs) and taxation		**23,991**	**(18,859)**	**5,132**	19,995	(15,004)	4,991
Finance income/(costs)							
Interest income		**124**	**-**	**124**	1	-	1
Interest expense	5	**(1,167)**	**(389)**	**(1,556)**	(456)	(152)	(608)
Profit/(loss) before taxation		**22,948**	**(19,248)**	**3,700**	19,540	(15,156)	4,384
Irrecoverable withholding tax	6	**(505)**	**-**	**(505)**	(377)	-	(377)
Profit/(loss) after taxation and total comprehensive income/(loss)		**22,443**	**(19,248)**	**3,195**	19,163	(15,156)	4,007
Basic and diluted earnings/(losses) per ordinary share (pence)	8	**4.51p**	**(3.87)p**	**0.64p**	4.16p	(3.29)p	0.87p

[1] Excludes foreign exchange gains and losses on financial assets at fair value through profit and loss which are presented within losses on financial assets at fair value

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

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

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

No operations were acquired or discontinued in the year.

The accompanying notes on pages 38 to 52 are an integral part of these Financial Statements.

Statement of Financial Position

As at 30 June 2023

	Notes	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Non-current assets			
Financial assets at fair value through profit or loss	9	**266,011**	263,393
Current assets			
Debtors and other receivables	10	**7,010**	3,819
Cash and cash equivalents		**6,597**	3,985
		13,607	7,804
Total assets		**279,618**	271,197
Non-current liabilities			
Bank loan	11	**-**	(33,000)
Current liabilities			
Bank loan	11	**(35,000)**	-
Creditors and other payables	12	**(4,187)**	(3,211)
Total liabilities		**(39,187)**	(36,211)
Net asset value		**240,431**	234,986
Stated capital and reserves			
Stated capital account	13	**244,884**	220,649
Special distributable reserve		**50,385**	50,385
Capital reserve		**(70,858)**	(51,610)
Revenue reserve		**16,020**	15,562
Equity Shareholders' funds		**240,431**	234,986
Net asset value per ordinary share (pence)	15	**45.83p**	49.30p

The Financial Statements on pages 34 to 52 were approved by the Board of Directors and authorised for issue on 14 September 2023 and were signed on its behalf by:

Caroline Hitch
Chair

14 September 2023

The accompanying notes on pages 38 to 52 are an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2023

	Notes	Stated capital account[1] £'000	Special distributable reserve[2] £'000	Capital reserve[1] £'000	Revenue reserve[3] £'000	Total £'000
At 1 July 2022		**220,649**	**50,385**	**(51,610)**	**15,562**	**234,986**
Total comprehensive income for the year:						
Profit/(loss) for the year		**-**	**-**	**(19,248)**	**22,443**	**3,195**
Transactions with owners recognised directly in equity:						
Dividends paid	7	**-**	**-**	**-**	**(21,985)**	**(21,985)**
Net proceeds from issue of shares	13	**24,235**	**-**	**-**	**-**	**24,235**
At 30 June 2023		**244,884**	**50,385**	**(70,858)**	**16,020**	**240,431**

For the year ended 30 June 2022

	Notes	Stated capital account[1] £'000	Special distributable reserve[2] £'000	Capital reserve[1] £'000	Revenue reserve[3] £'000	Total £'000
At 1 July 2021		203,416	50,385	(36,454)	16,831	234,178
Total comprehensive income for the year:						
Profit/(loss) for the year		-	-	(15,156)	19,163	4,007
Transactions with owners recognised directly in equity:						
Dividends paid	7	-	-	-	(20,432)	(20,432)
Net proceeds from issue of shares	13	17,233	-	-	-	17,233
At 30 June 2022		220,649	50,385	(51,610)	15,562	234,986

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

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

[3] The balance on the revenue reserve of £16,020,000 (2022: £15,562,000) is available for paying dividends.

The accompanying notes on pages 38 to 52 are an integral part of these Financial Statements.

Cash Flow Statement

For the year ended 30 June 2023

	Notes	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Operating activities			
Profit before taxation[1]		**3,700**	4,384
Adjustments to reconcile profit before taxation to net cash flows:			
Realised losses/(gains) on financial assets at fair value through profit or loss	9	**1,273**	(3,631)
Unrealised losses on financial assets at fair value through profit or loss	9	**16,715**	18,090
Effective interest adjustment	9	**(243)**	(154)
Foreign exchange loss/(gain)		**252**	(61)
Finance costs[1]		1,432	607
Purchase of financial assets at fair value through profit or loss[2]		**(77,242)**	(110,433)
Proceeds from sale of financial assets at fair value through profit or loss[3]		**57,170**	85,833
Changes in working capital			
Increase in other receivables		**(3,191)**	(508)
Increase in other payables		**657**	2,266
Irrecoverable withholding tax paid		**(505)**	(377)
Net cash generated from/(used in) operating activities		**18**	(3,984)
Financing activities			
Dividends paid	7	**(21,985)**	(20,432)
Drawdown of bank loan	11	**2,000**	-
Finance costs		**(1,404)**	(595)
Proceeds from issuance of ordinary shares[4]	13	**24,235**	17,508
Net cash generated from/(used in) financing activities		**2,846**	(3,519)
Increase/(decrease) in cash and cash equivalents		**2,864**	(7,503)
Cash and cash equivalents at the start of the year		**3,985**	11,427
Exchange (loss)/gain		**(252)**	61
Cash and cash equivalents at the end of the year		**6,597**	3,985

[1] For the comparative year, in accordance with IAS 7 Statement of Cash Flows, the Cash Flow Statement has been re-presented to start with 'profit before taxation' of £4,384,000 instead of 'profit before finance income/costs and taxation' of £4,991,000. Subsequently, 'finance costs' of £607,000 have been added under 'Adjustments to reconcile profit before taxation to net cash flows'.

Included within profit before taxation is dividend income of £4,964,000 (2022: £3,684,000) and interest income of £21,265,000 (2022: £18,678,000).

[2] Amounts due to brokers as at 30 June 2023 relating to purchases of financial assets at fair value through profit amounted to £904,000 (2022: £613,000).

[3] Amounts due from brokers as at 30 June 2023 relating to sales of financial assets at fair value through profit amounted to £nil (2022: £nil).

[4] Amounts due on new share issuance not yet received as at 30 June 2023 amounted to £nil (2022: £nil).

The accompanying notes on pages 38 to 52 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 IFRS as adopted by the EU and in accordance with the guidance set out in the SORP: Financial Statements of Investment Trust Companies and Venture Capital Trusts issued by the AIC in November 2014 and updated most recently in July 2022 with consequential amendments. Notwithstanding that 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 pound sterling because that is the primary economic environment in which the Company operates. The Financial Statements and notes are presented in pound sterling and are rounded to the nearest thousand except where otherwise indicated.

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.

Going concern

At each AGM 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 Shareholders and its Broker and considering that 98% of the Shareholder's votes at the last AGM held on 1 December 2022, were in favour of the continuation of the Company, the Board considers it likely that Shareholders will vote in favour of continuation at the forthcoming AGM.

The Company's existing loan facility as detailed on page 44, is of an amount of up to £45,000,000 and is due to mature on 17 December 2023 after which it is anticipated the Company will take out a new facility on comparable terms. After making enquiries of the Investment Manager and having considered the Company's investment objective, nature of the investment portfolio, loan facility, expenditure projections and the impact of the current geo-political and market uncertainty on the Company, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the Financial Statements, notwithstanding that the Company is subject to an annual continuation vote as described above.

Accounting developments

Standards and amendments to existing standards effective in current year

There were no new standards, amendments or interpretations that are effective for the financial year beginning 1 July 2022 which the Directors consider to have a material impact on the Financial Statements of the Company.

Standards and amendments becoming effective in future periods

The following standards become effective in future accounting periods and have not been adopted by the Company:

Standards	**Effective for periods beginning on or after**
• IFRS 17 Insurance Contracts	1 January 2023
• Amendments to IFRS 17	1 January 2023
• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
• Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
• Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
• Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023
• Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2024
• Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
• Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional

The Directors believe that the application of these amendments and interpretations will not materially impact the Company's Financial Statements when they become effective.

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 financial assets involves estimation and judgements. The major part of the Company's financial assets is its financial assets held at fair value through profit or loss which are valued by reference to listed and quoted bid prices, however some of these financial assets are thinly traded. Such financial assets are best valued by reference to current market price quotes provided by independent brokers. 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.

Financial assets 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 valuation guidance. Unquoted financial assets 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 investee 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.

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) Financial assets

Financial assets which comprise equity shares, convertible bonds and fixed income securities, are classified as held at fair value through profit or loss as the Company's business model is not to hold these financial assets for the sole purposes of collecting contractual cash flows. In making this assessment, the Directors have given regard to the investment strategy of the Company, the fact that the performance of the portfolio is evaluated on a fair value basis and the fact that the Investment Manager is remunerated on a percentage of total assets.

Purchases or sales of financial assets are recognised/derecognised on the date the Company trades the investments. On initial recognition investments are measured at fair value and classified as fair value through profit or loss with any subsequent gain or loss, including any gain or loss arising from a change in exchange rates, recognised in the Statement of Comprehensive Income.

Financial assets held at fair value through profit or loss are valued in accordance with the policies described in the critical accounting estimates and judgements section above.

Financial assets also include the Company's cash and cash equivalents (comprising of cash held in current accounts and overdraft balances) and debtors and other receivables which are held at amortised cost using effective interest rate, less any impairment.

(c) Financial liabilities

Financial liabilities include amounts due to brokers, bank loan, interest on bank loan and other creditors which are held at amortised cost using the effective interest rate method. Financial liabilities are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(d) 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 Statement of Comprehensive Income.

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.

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.

(e) 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 account;
- expenses which are incidental to the disposal of an investment charged to the capital account;
- the Company charges 25% 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; and
- 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.

(f) 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. Exchange gains and losses on investments held at fair value through profit or loss are included in 'Gains or losses on investments held at fair value through profit or loss'. Exchange gains and losses on other balances are disclosed separately in the Statement of Comprehensive Income.

(g) Reserves

(i) 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.

(ii) 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.

(iii) Revenue reserve. The net profit/(loss) and total comprehensive income/(loss) arising in the revenue column of the Statement of Comprehensive Income is added to or deducted from this reserve and is available for paying dividends.

(h) Share capital

Ordinary shares

The Company's ordinary shares are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under International Accounting Standard ("IAS") 32. The proceeds from the issue of ordinary shares are recognised in the Statement of Changes in Equity, net of issue costs.

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.

(i) Segmental information

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

2 Investment income

	2023 £'000	2022 £'000
Income from financial assets at fair value through profit or loss[1]		
Dividend income	**4,964**	3,684
Interest on fixed income securities[2]	**21,265**	18,678
Total income	**26,229**	22,362

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

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

3 Investment management fee

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Investment management fee	**1,591**	**530**	**2,121**	1,595	531	2,126

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

As per the Investment Management Agreement dated 18 September 2019, the management fee is charged at a rate of 0.80% per annum on the Company's total assets (being total assets less current liabilities (other than bank borrowings and ignoring any taxation which is or may be payable by the Company)) up to £200,000,000, 0.70% per annum of total assets in excess of £200,000,000 and up to and including £300,000,000 and 0.60% per annum thereafter. The management fee is paid monthly in arrears.

The contract between the Company and the Investment Manager may be terminated by either party giving not less than 12 months' notice of termination.

During the year ended 30 June 2023, investment management fees of £2,121,000 were incurred (2022: £2,126,000), of which £176,000 was payable at the year-end (2022: £173,000). Investment management fees have been allocated 75% to revenue and 25% to capital.

4 Other expenses

	20232 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Secretarial and administration fees	**206**	**-**	**206**	207	-	207
Directors' fees	**169**	**-**	**169**	169	-	169
Auditors' remuneration for audit services[1]	**51**	**-**	**51**	48	-	48
Broker fees	**30**	**-**	**30**	30	-	30
Printing	**18**	**-**	**18**	8	-	8
Bank and custody (rebate)/charges	**(53)**	**-**	**(53)**	110	-	110
Registrars' fees	**33**	**-**	**33**	37	-	37
Depositary fees	**45**	**-**	**45**	45	-	45
Legal and professional fees	**44**	**-**	**44**	40	-	40
Other	**104**	**89**	**193**	78	75	153
	647	**89**	**736**	772	75	847

Directors' fees
For the year ended 30 June 2023, Directors' remuneration were as follows:

Chair £42,500

Audit Chair £36,500

Other £30,000

Directors' fees of £7,500 were accrued as at 30 June 2023 (2022: £7,500).

No pension contributions were payable in respect of any of the Directors and the Company does not have any employees.

[1]**Non-audit fees paid to the auditor**
There were no non-audit fees paid to the auditor during the year ended 30 June 2023 (2022: £nil).

5 Interest expense

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Interest expense	**1,167**	**389**	**1,556**	456	152	608

Interest expense and similar charges have been allocated 75% to revenue and 25% to capital as explained in note 1(e).

6 Irrecoverable withholding tax

The taxation charge for the year is comprised of:

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Irrecoverable withholding tax suffered	**505**	**–**	**505**	377	–	377

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 0% for the year ended 30 June 2023 (2022: 0%) as follows:

	2023 £'000	2022 £'000
Profit on ordinary activities before taxation	**3,700**	4,384
Theoretical tax expense at 0% (2022: 0%)	**–**	–
Effects of:		
Foreign withholding tax	**505**	377
Current year revenue tax charge	**505**	377

7 Dividends

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the year:		
Dividends in respect of the year ended 30 June 2022		
– Fourth interim dividend of 1.48p (2021: 1.47p) per ordinary share	**7,054**	6,557
Dividends in respect of the year ended 30 June 2023		
– First interim dividend of 1.00p (2022: 1.00p) per ordinary share	**4,815**	4,552
– Second interim dividend of 1.00p (2022: 1.00p) per ordinary share	**4,963**	4,636
– Third interim dividend of 1.00p (2022: 1.00p) per ordinary share	**5,153**	4,687
	21,985	20,432

A fourth interim dividend in respect of the year ended 30 June 2023 of 1.49p per ordinary share was paid on 31 August 2023 to Shareholders on the register on 28 July 2023, having an ex-dividend date of 27 July 2023.

In accordance with IFRS, dividends paid to the Company's Shareholders are recognised when they become payable on the ex-dividend date, 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 becomes payable.

8 Basic and diluted earnings/(losses) per ordinary share

	2023 Revenue pence	2023 Capital pence	2023 Total pence	2022 Revenue pence	2022 Capital pence	2022 Total pence
Basic and diluted earnings/(losses) per ordinary share	**4.51p**	**(3.87p)**	**0.64p**	4.16p	(3.29)p	0.87p

The revenue earnings per ordinary share is based on the net profit after taxation of £22,443,000 (2022: £19,163,000) and the capital return per ordinary share is based on a net capital loss of £19,248,000 (2022: £15,156,000). Both the revenue and capital earnings per ordinary share is based on a weighted average of 497,695,146 (2022: 460,845,694) ordinary shares in issue throughout the year.

Total earnings per ordinary share reflects both revenue earnings and capital returns per ordinary share. The Company has not issued any instruments that could potentially dilute basic earnings per ordinary share in the future. Therefore, the Company's basic earnings per ordinary share is equivalent to its diluted earnings per ordinary share.

There have been no transactions involving the Company's ordinary shares between 1 July 2023 and 14 September 2023 other than those disclosed in note 24, which were issued at a premium to the 30 June 2023 NAV.

9 Financial assets at fair value through profit or loss

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

	2023 £'000	2022 £'000
Equity shares[1]	**45,763**	49,687
Fixed income securities[2]	**220,248**	213,706
	266,011	263,393

[1] Equity shares include investment funds.

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

	2023 £'000	2022 £'000
Opening valuation	**263,393**	257,467
Purchases at cost	**77,533**	106,064
Sales proceeds	**(57,170)**	(85,833)
Realised (losses)/gains on sales	**(1,273)**	3,631
Effective interest adjustment	**243**	154
Unrealised losses	**(16,715)**	(18,090)
Closing valuation	**266,011**	263,393

Losses on investments	2023 £'000	2022 £'000
Realised (losses)/gains[1]	**(1,273)**	3,631
Unrealised losses[2]	**(16,715)**	(18,090)
	(17,988)	(14,459)

[1] Realised (losses)/gains on financial assets at fair value through profit or loss is made up of gains of £6,030,000 (2022: 5,680,000) and losses of £7,303,000 (2022: 2,049,000).

[2] Unrealised losses on financial assets at fair value through profit or loss is made up of gains of £8,225,000 (2022: 14,225,000) and losses of £24,940,000 (2022: 32,315,000).

10 Debtors and other receivables

	2023 £'000	2022 £'000
Accrued income	**7,000**	3,807
Prepayments and other debtors	**10**	12
	7,010	3,819

11 Bank loan

	2023 £'000	2022 £'000
Bank loan facility- opening balance	**33,000**	33,000
Drawdowns	**2,000**	-
Bank loan facility – closing balance	**35,000**	33,000

The Company has a short-term unsecured loan facility with Scotiabank up to a limit of £45,000,000 which is due to expire on 17 December 2023. At the start of the year, the Company had drawn down £33,000,000 from the facility and on 20 June 2023, it drew down a further £2,000,000. As at 30 June 2023, the drawn down amount of the facility was £35,000,000 (2022: £33,000,000).

As per the Seventh Amendment Agreement dated 17 December 2021, the terms of the loan facility are as follows:

- the Agreement contains an option to increase the facility by a further £5,000,000 – no commitment fees are payable on the £5,000,000 until this option is exercised.
- the interest on the loan would be a margin of 1.45% p.a plus a daily non-cumulative compounded Reference Rate (RFR).
- the commitment fees would be 0.375% p.a on the daily Available Commitment if the utilised Commitment exceeds 50 per cent of the Commitment and 0.425% on the daily Available Commitment if the utilised Commitment is less than or equal to 50 per cent of the Commitment.

The following are the covenants for the facility held as at 30 June 2023:

- the borrower shall not permit the adjusted asset coverage to be less than 4 to 1
- the borrower shall not permit the NAV to be less than £95,000,000 at any time
- the borrower shall maintain an additional adjusted asset coverage of at least 1.5 to 1 at all times

For the year ended 30 June 2023 and up until the date of this report, the Company has complied with all covenants of the loan facility.

The bank loan facility is a financial liability held at amortised cost.

12 Creditors and other payables

	2023 £'000	2022 £'000
Amounts due to brokers	**904**	613
Interest on bank loan facility	**56**	28
Other creditors	**3,227**	2,570
	4,187	3,211

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	Amount received £'000	Share Issue Costs £'000	Share capital £'000
Total as at 1 July 2022	**476,651,858**			**220,649**
750,000 ordinary shares of no par value allotted on 4 August 2022 at 51.80p	750,000	388	(3)	385
500,000 ordinary shares of no par value allotted on 9 August 2022 at 52.00p	500,000	260	(2)	258
750,000 ordinary shares of no par value allotted on 16 August 2022 at 52.50p	750,000	394	(3)	391
500,000 ordinary shares of no par value allotted on 26 August 2022 at 53.00p	500,000	265	(2)	263
850,000 ordinary shares of no par value allotted on 31 August 2022 at 53.00p	850,000	450	(3)	447
500,000 ordinary shares of no par value allotted on 2 September 2022 at 53.16p	500,000	266	(2)	264
500,000 ordinary shares of no par value allotted on 15 September 2022 at 53.25p	500,000	266	(2)	264
500,000 ordinary shares of no par value allotted on 22 September 2022 at 53.30p	500,000	267	(2)	265
3,500,000 ordinary shares of no par value allotted on 1 November 2022 at 51.25p	3,500,000	1,794	(14)	1,780
500,000 ordinary shares of no par value allotted on 4 November 2022 at 51.50p	500,000	258	(3)	255
2,600,000 ordinary shares of no par value allotted on 8 November 2022 at 51.20p	2,600,000	1,331	(13)	1,318
500,000 ordinary shares of no par value allotted on 11 November 2022 at 51.30p	500,000	257	(3)	254
600,000 ordinary shares of no par value allotted on 15 November 2022 at 51.50p	600,000	309	(3)	306
750,000 ordinary shares of no par value allotted on 17 November 2022 at 51.60p	750,000	387	(4)	383
500,000 ordinary shares of no par value allotted on 24 November 2022 at 51.60p	500,000	258	(3)	255
950,000 ordinary shares of no par value allotted on 28 November 2022 at 51.60p	950,000	490	(5)	485
750,000 ordinary shares of no par value allotted on 1 December 2022 at 51.50p	750,000	386	(4)	382
500,000 ordinary shares of no par value allotted on 2 December 2022 at 51.40p	500,000	257	(3)	254
1,000,000 ordinary shares of no par value allotted on 5 December 2022 at 51.30p	1,000,000	513	(5)	508
1,350,000 ordinary shares of no par value allotted on 11 January 2023 at 53.40p	1,350,000	721	(5)	716
1,250,000 ordinary shares of no par value allotted on 16 January 2023 at 52.50p	1,250,000	656	(5)	651
4,700,000 ordinary shares of no par value allotted on 31 January 2023 at 51.00p	4,700,000	2,397	(18)	2,379
1,300,000 ordinary shares of no par value allotted on 3 February 2023 at 51.00p	1,300,000	663	(5)	658
2,750,000 ordinary shares of no par value allotted on 8 February 2023 at 51.00p	2,750,000	1,403	(11)	1,392
4,000,000 ordinary shares of no par value allotted on 15 February 2023 at 51.25p	4,000,000	2,050	(15)	2,035
2,500,000 ordinary shares of no par value allotted on 17 February 2023 at 51.20p	2,500,000	1,280	(10)	1,270
2,000,000 ordinary shares of no par value allotted on 13 March 2023 at 51.40p	2,000,000	1,028	(8)	1,020
750,000 ordinary shares of no par value allotted on 16 March 2023 at 51.20p	750,000	384	(4)	380
500,000 ordinary shares of no par value allotted on 28 March 2023 at 49.60p	500,000	248	(2)	246
500,000 ordinary shares of no par value allotted on 12 April 2023 at 49.80p	500,000	249	(2)	247
2,600,000 ordinary shares of no par value allotted on 3 May 2023 at 48.85p	2,600,000	1,270	(13)	1,257
500,000 ordinary shares of no par value allotted on 10 May 2023 at 48.85p	500,000	244	(2)	242
500,000 ordinary shares of no par value allotted on 12 May 2023 at 48.85p	500,000	244	(2)	242
750,000 ordinary shares of no par value allotted on 18 May 2023 at 48.70p	750,000	365	(4)	361
500,000 ordinary shares of no par value allotted on 23 May 2023 at 48.70p	500,000	243	(2)	241
500,000 ordinary shares of no par value allotted on 24 May 2023 at 48.80p	500,000	244	(2)	242
500,000 ordinary shares of no par value allotted on 25 May 2023 at 49.00p	500,000	245	(2)	243
2,500,000 ordinary shares of no par value allotted on 1 June 2023 at 48.90p	2,500,000	1,223	(12)	1,211
1,000,000 ordinary shares of no par value allotted on 6 June 2023 at 49.00p	1,000,000	490	(5)	485
Total as at 30 June 2023	**524,601,858**	**24,443**	**(208)**	**244,884**

The balance of shares left in Treasury at the year-end was nil (2022: nil shares).

On 22 May 2023, a block listing facility for 21,690,000 new shares was approved by the UK Listing Authority. This facility is used for the purposes of satisfying market demand.

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.

Ordinary shares issued are accounted for based on the associated trade date.

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 13.

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% 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 Board defines capital as financial resources available to the Company. The Company's capital as at 30 June 2023 comprises its stated capital, special distributable reserve, capital reserve and revenue reserve at a total of £240,431,000 (2022: £234,986,000).

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 at the time of borrowing. 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 13.

15 Net asset value per ordinary share

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

	2023	2022
NAV (£'000)	**240,431**	234,986
NAV per ordinary share (pence)	**45.83p**	49.30p

NAV per ordinary share has been calculated based on the share capital in issue as at year end. The issued share capital as at 30 June 2023 comprised of 524,601,858 ordinary shares (2022: 476,651,858).

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.

Financial assets at fair value through profit or loss (see note 9) are held at fair value. For listed securities trading actively, fair value is considered to be equivalent to the most available recent bid price. Where listed securities are not trading actively, independent broker quotes are referenced to estimate fair value. For unlisted securities, fair value is determined by the Board using valuation techniques based on unobservable inputs, mainly using broker quotes. The fair value of other receivables, cash and cash equivalents and other payables is represented by their carrying value in the Statement of Financial Position shown on page 35. 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 fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and comprises currency risk, interest rate risk and other price risk;

(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 2023, all of which are held at amortised cost, other than financial assets at fair value through profit or loss, which are held at fair value. The Directors are of the opinion that for the financial instruments held at amortised cost, the carrying value approximates their fair value.

	2023 £'000	2022 £'000
Financial assets		
Financial assets at fair value through profit or loss	**266,011**	263,393
Cash and cash equivalents	**6,597**	3,985
Accrued income	**7,000**	3,807
Financial liabilities		
Amount due to brokers	**(904)**	(613)
Bank loan	**(35,000)**	(33,000)
Interest on bank loan facility	**(56)**	(28)
Other creditors	**(3,227)**	(2,570)

17 Market price risk

Market price risk (including other 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 Investment Manager's investment strategy is:

- to select investments for their fundamental value. Stock selection is based on disciplined accounting, thorough market and sector analysis, with the emphasis on investments that will redeem in full at the end of their maturity date.
- to ensure that 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.
- to monitor market prices throughout the year and report 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 6 to 7. These pages do not form part of the audited Financial Statements.

If the investment portfolio valuation fell 7.5% at 30 June 2023 (2022: fall of 7.5%), the impact on the profit or loss and the NAV would have been negative £19,951,000 (2022: negative £19,754,000). Due to the effect of gearing, the impact on the NAV per ordinary share would have been a decrease of 8.3% (2022: decrease of 8.4%). 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 Statement of Financial Position date and is not representative of the period as a whole and may not be reflective of future market conditions.

The Directors believe 7.5% is a relevant percentage based on average market volatility in recent years.

18 Interest rate risk

The Company's financial assets and liabilities, with the exception of cash and cash equivalents (see below), that are subject to interest rate risk are detailed below.

	2023 £'000	2023 Weighted average interest rate (%)	2023 Weighted average period for which the rate is fixed (years)	2022 £'000	2022 Weighted average interest rate (%)	2022 Weighted average period for which the rate is fixed (years)
Financial assets:						
Fixed rate instruments & convertible securities	**144,383**	**7.35**	**4.09**	158,941	7.12	4.31
Floating rate notes	**75,637**	**5.08**	**n/a**	54,531	4.08	n/a
Preference shares	**228**	**0.00**	**n/a**	234	11.90	n/a
Financial liabilities:						
Bank loan	**35,000**	**6.38**	**n/a**	33,000	2.64	n/a

Financial assets

Fixed, floating rate 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.

Interest rates on fixed income instruments are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. Consequentially, if a fixed income instrument is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a fixed income instrument the market price at any given time will depend on the market environment at that time. Therefore, a fixed income instrument 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 rates on floating rate instruments vary throughout the life of the instrument based on movements in the applicable underlying base rate. Consequentially, the total return achieved on these positions changes throughout the life of position. In addition, over the life of the financial instrument, the market price of such instruments will depend on the market environment at that time. Therefore, a floating rate instrument sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

Cash and cash equivalents

When the Company retains cash balances they are held in floating rate deposit accounts. As at 30 June 2023, cash and cash equivalents included cash amount of £2,987,000 held in sterling (2022: £4,088,000) and £3,610,000 in a range of other currencies (2022: cash overdraft of £103,000). The benchmark rate which determines the interest payments received on sterling interest bearing cash balances is the UK bank base rate, which was 5.00% at 30 June 2023 (2022: 1.25%).

Financial liabilities

The Company has borrowed in sterling at a variable rate of interest based on the UK bank base rate. The impact of a 1% increase (or decrease) in the bank base rate would be a NAV loss (or gain) of £350,000 (2022: £330,000). The impact is linear – in other words, a 2% increase (or decrease) in the bank base rate would result in twice the NAV loss (or gain) as 1%. The calculations are based on borrowings as at the respective Statement of Financial Position dates and are not representative of the year as a whole.

At year-end, the Company held a bank loan of £35,000,000 from Scotiabank, details of which are contained in note 11 on page 44.

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 2023 and 30 June 2022 was as follows:

	2023 Investments £'000	2023 Cash £'000	2023 Accrued Income £'000	2023 Total £'000	2022 Investments £'000	2022 Cash £'000	2022 Accrued Income £'000	2022 Total £'000
Euro	**30,838**	**1,168**	**331**	**32,337**	31,977	(22)	237	32,192
Australian dollar	**193**	**5**	**-**	**198**	191	-	-	191
US dollar	**50,770**	**2,298**	**1,011**	**54,079**	62,126	(315)	1,418	63,229
Norwegian krone	**929**	**51**	**17**	**997**	1,064	-	15	1,079
Canadian dollar	**228**	**4**	**-**	**232**	314	191	-	505
Swedish krona	**4,507**	**84**	**72**	**4,663**	4,015	43	38	4,096
	87,465	**3,610**	**1,431**	**92,506**	99,687	(103)	1,708	101,292

If the value of sterling had weakened against each of the currencies in the portfolio by 5% (2022: 5%), the impact on the profit or loss and the NAV would have been positive £4,679,000 (2022: positive £5,337,000).

If the value of sterling had strengthened by the same amount the impact on the profit or loss and the NAV would have been negative £4,233,000 (2022: negative £4,828,000).

The calculations are based on the portfolio valuation and accrued income balances at the balance sheet date are not representative of the period as a whole and may not be reflective of future market conditions.

The Directors believe 5% is 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:

	2023 £'000	2022 £'000
Fixed income securities[1]	**220,248**	213,706
Cash and cash equivalents	**6,597**	3,985
Accrued income	**7,000**	3,807
	233,845	221,498

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

Credit risk on fixed income securities and convertible bonds instruments is considered to be part of market price. The credit ratings for the fixed income securities held by the Company as at 30 June have been listed below:

Rating of fixed income securities	2023 %	2022 %
BB-	**9.1**	5.3
B+	**3.9**	4.0
B	**3.9**	4.0
B-	**2.6**	1.3
BBB	**1.3**	-
CC	**-**	1.3
CCC	**2.6**	2.7
CCC+	**3.9**	6.7
CCC-	**-**	1.3
C-	**1.3**	-
Not rated	**71.4**	73.4
	100.0	100.0

Source: 2023: S&P, 2022: S&P

The percentage above represents the value of fixed income securities of £220,248,000 (2022: £213,706,000) included in the Statement of Financial Position which are exposed to credit and counterparty risk by credit rating.

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 Company's cash and most of the assets are held by the Administrator. The Company holds a residual cash balance with The Hong Kong and Shanghai Banking Corporation ("HSBC") of £11,000 (2022: £11,000). The rating agency Moody's assigns a rating of A1 to HSBC and Aa3 to BNP Paribas.

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

21 Liquidity risk

Market liquidity risk

The Company's financial instruments include 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 within a short time frame.

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

Funding liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

30 June 2023

		Contractual cash flows	
	Carrying amount £000	**0-1 year £000**	**1-2 years £000**
Bank loan	**35,000**	**(37,232)**	**-**
Creditors and other payables	**4,187**	**(4,187)**	**-**
	39,187	**(41,419)**	**-**

30 June 2022

		Contractual cash flows	
	Carrying amount £000	**0-1 year £000**	**1-2 years £000**
Bank loan	33,000	(318)	(33,318)
Creditors and other payables	3,211	(3,211)	-
	36,211	(3,529)	(33,318)

The table above illustrates the contractual undiscounted cash flows relating to the financial liabilities of the Company.

As disclosed in note 11, the Company has availed of a secured bank loan facility of £45,000,000 with Scotiabank, out of which, £35,000,000 has been drawn-down and is outstanding as at 30 June 2023. In addition to this, the Company maintains sufficient cash and readily realisable securities to pay accounts payable, accrued expenses and any repayment on its bank facility.

The interest payments on the bank loan in the table above reflect market forward interest rates available at the reporting date and these amounts may change as market interest rates change.

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.

22 Fair value hierarchy

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

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

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

Investments valued using stock market active prices are disclosed as Level 1 and this is the case for the quoted equity investments that the Company holds.

Securities in Level 2 are priced using evaluated prices from a third party vendor, together with a price comparison made to evaluated secondary and tertiary third party sources, including broker quotes and benchmarks. As a result, these investments are disclosed as Level 2 - recognising that the fair values of these investments are not as visible as quoted investments and their higher inherent pricing risk.

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

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

Financial assets at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Fixed income securities[1]	234	209,627	3,845	213,706
Equity shares[2]	45,195	4,038	454	49,687
As at 30 June 2022	45,429	213,665	4,299	263,393

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

[2] Equity shares include investment funds.

If the market value of the Level 3 investments fell by 5% (2022: 5%), the impact on the profit or loss and the NAV would have been negative £5,000 (2022: negative £215,000). 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 believes that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly. The following shows a reconciliation from the beginning to the end of the year for fair value measurements in Level 3 of the fair value hierarchy.

Level 3 Financial Assets	2023 £'000	2022 £'000
Opening valuation	**4,299**	636
Additions	**1,231**	374
Sales	**(204)**	(88)
Unrealised (losses)/gains	**1,949**	(9,954)
Realised gains/(losses)	**(7,292)**	198
Transfers out of Level 3	**-**	(623)
Transfers into Level 3	**121**	13,756
Closing valuation	**104**	4,299

Transfers into Level 3:
Trevali Mining Corp £nil (30 June 2022: £80,000) was transferred out of Level 1 to Level 3 because it was delisted during the year ended 30 June 2023.

Oro Negro Dril 7.5% 14-24/01/2019 £8,000 (30 June 2022: £41,000) was transferred out of Level 2 to Level 3 because it has been categorized as being in default.

Quantitative information of significant unobservable inputs – Level 3

The following tables summarise the significant unobservable inputs the Company used to value its significant investments categorised within Level 3 as at 30 June 2023 and 30 June 2022:

30 June 2023

Description	Fair value as at 30 June 2023 £000	Valuation technique	Significant Unobservable inputs	Range/ input	Weighted Average
R.E.A Holdings Plc CW 15/07/2025	**54**	**Black Scholes model**	**Volatility**	**50.1**	**N/A**
ORO SG 12% 19-20/12/2025 DFLT	**42**	**Vendor Pricing**	**Unadjusted Broker Quote**	**1**	**N/A**
ORO NEGRO DRIL 7.5% 14-24/01/2019 DFLT	**8**	**Vendor Pricing**	**Unadjusted Broker Quote**	**1**	**N/A**
Total	**104**				

30 June 2022

Description	Fair value as at 30 June 2022 £000	Valuation technique	Significant Unobservable inputs	Range/ input	Weighted Average
Matalan Finance 9.5% 18-31/01/2024	3,845	Vendor Pricing	Unadjusted Broker Quote	1	N/A
R.E.A Holdings Plc CW 15/07/2025	454	Black Scholes model	Volatility	57.1	N/A
Total	4,299				

The remaining 22 investments (2022: 22) classified as Level 3 have not been included in the above analysis as they have fair value of £nil as at 30 June 2023 and 30 June 2022.

23 Transaction with the Investment Manager and related parties

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

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in note 4 to the Financial Statements. The beneficial interests of the Directors in the shares of the Company are disclosed on page 20. There are no outstanding balances to the Directors at the year end.

Details of the fee arrangement with the Investment Manager are disclosed in note 3.

24 Subsequent events

The Board has evaluated subsequent events for the Company through to 14 September 2023, the date the Financial Statements were available to be issued and has concluded that the material events listed below do not require adjustment of the Financial Statements.

Dividend declaration

The fourth interim dividend of 1.49 pence per ordinary share was announced on 21 July 2023 and paid on 31 August 2023 to Shareholders on the register on 28 July 2023, having an ex-dividend date of 27 July 2023.

Supplemental Information and Annual General Meeting

Glossary of Terms and Definitions

Alternative Performance Measures ("APMs")	Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes IFRS and the AIC SORP.
Net Asset Value or NAV and NAV per ordinary share	The value of total assets less total liabilities. Liabilities for this purpose include current and long-term liabilities. To calculate the NAV per ordinary share, the NAV divided by the number of shares in issue.
Reference rate ("RFR")	The SONIA (Sterling Overnight Index Average) reference rate displayed in the relevant screen of any authorised distributor of that reference rate.
Shareholder	Investor who holds shares in the Company.

Alternative Performance Measures

In accordance with European Securities and Markets Authority Guidelines on APMs the Board has considered what APMs are included in the Annual Financial Report and Financial Statements which require further clarification.

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

- NAV total return
- Ordinary share price total return
- Revenue earnings per ordinary share
- Annual dividends per ordinary share
- Dividend cover
- Revenue reserve per ordinary share
- Dividend yield
- Premium
- Gearing
- Ongoing charges ratio

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

NAV and ordinary share price total return

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

2023	Annual dividend per ordinary share	NAV	Share price (bid)
30 June 2022	4.48p	49.30	51.20
30 June 2023	4.49p	45.83	46.60
Capital return		**(7.04)%**	**(8.98)%**
Effect of dividend reinvestment		9.08%	8.30%
Total return		**2.04%**	**(0.68)%**

2022	Annual dividend per ordinary share	NAV	Share price (bid)
30 June 2021	4.47p	52.62	54.80
30 June 2022	4.48p	49.30	51.20
Capital return		**(6.31%)**	**(6.57%)**
Effect of dividend reinvestment		8.35%	7.78%
Total return		**2.04%**	**1.21%**

Revenue earnings per ordinary share

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

		2023	2022
Revenue earnings	a	**£22,443,000**	£19,163,000
Weighted average number of ordinary shares in issue	b	**497,695,146**	460,845,694
Revenue earnings per ordinary share	**(a/b)*100**	**4.51p**	**4.16p**

Annual dividend per ordinary share

The total amount of dividends declared for every issued ordinary share over the Company's financial year.

Dividend History	Rate	xd date	Record date	Payment date
First interim 2023	1.00p	27 October 2022	28 October 2022	25 November 2022
Second interim 2023	1.00p	26 January 2023	27 January 2023	28 February 2023
Third interim 2023	1.00p	27 April 2023	28 April 2023	26 May 2023
Fourth interim 2023	1.49p	28 July 2023	29 July 2023	31 August 2023
Annual dividend per ordinary share	**4.49p**			
First interim 2022	1.00p	28 October 2021	29 October 2021	30 November 2021
Second interim 2022	1.00p	27 January 2022	28 January 2022	25 February 2022
Third interim 2022	1.00p	28 April 2022	29 April 2022	27 May 2022
Fourth interim 2022	1.48p	28 July 2022	29 July 2022	26 August 2022
Annual dividend per ordinary share	**4.48p**			

Dividend cover

Revenue earnings per ordinary share divided by the annual dividend per ordinary share expressed as a ratio.

		2023	2022
Revenue earnings per ordinary share	a	4.51p	4.16p
Annual dividend per ordinary share	b	4.49p	4.48p
Dividend cover	**a/b**	**1.00x**	**0.93x**

Revenue reserves per ordinary share

Revenue reserve (which includes dividends paid out during the year) divided by the number of ordinary shares at the Statement of Financial Position date.

		2023	2022
Revenue reserve	a	£16,020,000	£15,562,000
Ordinary shares in issue	b	524,601,858	476,651,858
Revenue reserves per ordinary share	**(a/b)*100**	**3.05p**	**3.26p**

Dividend yield

The annual dividend per ordinary share expressed as a percentage of the share price (bid price).

		2023	2022
Annual dividend per ordinary share	a	4.49p	4.48p
Share price (bid price)	b	46.60p	51.20p
Dividend yield	**(a/b)*100**	**9.64%**	**8.75%**

Premium

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

		2023	2022
Share price (bid price)	a	46.60p	51.20p
NAV per ordinary share	b	45.83p	49.30p
Premium	**(a-b)/b**	**1.68%**	**3.86%**

Gearing

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

		2023 £'000	2022 £'000
Total assets		279,618	271,197
Current liabilities (excluding borrowings)		(4,187)	(3,211)
Cash and cash equivalents		(6,597)	(3,985)
Total	a	**268,834**	**264,001**
NAV	b	240,431	234,986
Gearing	**((a/b)-1)*100**	**11.81%**	**12.35%**

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.

		2023 £	2022 £
Average NAV	a	239,062,011	239,974,073
Operating expenses per Statement of Comprehensive Income		2,857,000	2,973,000
Ineligible expenses		(79,000)	(125,000)
Operating expenses	b	2,778,000	2,848,000
Ongoing charges figure (calculated using the AIC methodology)	**(b/a)*100**	**1.16%**	**1.19%**

Explanation of AGM resolutions

Resolution 1: Annual Financial Statements and Directors' and Auditor's Reports

The Directors are required to lay before the AGM copies of the Company's most recent Annual Financial Statements and the Directors' Report and Auditor's Report in respect of the financial year. Shareholders will be given an opportunity at the meeting to ask questions on these items before being invited to receive them.

Resolution 2: Remuneration Report

As a Jersey domiciled Company, the Directors are not required to present the Company's remuneration policy to Shareholders at the AGM. In line with best practice, however, the Directors present the Board's remuneration report as contained in the Company's Annual Financial Statements to Shareholders for approval.

Resolution 3: Dividend Policy

To approve the Company's dividend policy as detailed on page 20.

Resolutions 4 to 8: Re-election and appointment of Directors

In accordance with the recommendations of the AIC Code of Corporate Governance (the "AIC Code"), all Directors submit themselves for annual re-election at the AGM.

Resolution 9: Re-appointment and remuneration of the Auditor

Shareholders are requested to approve the reappointment of the Company's Auditor, PricewaterhouseCoopers CI LLP, each year and are asked to give Directors the authority to determine the Auditor's remuneration. PricewaterhouseCoopers CI LLP has expressed its willingness to continue as Auditor of the Company.

Resolution 10: Continuation Vote

In accordance with the Articles of Association this resolution proposes 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.

Resolution 11 and 12: 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, Resolutions 11 and 12 authorise the Board to allot on a non-pre-emptive basis:

(a) (pursuant to Resolution 11) up to 10% of the issued ordinary share capital of the Company; and

(b) (pursuant to Resolution 12) up to a further 10% of the issued ordinary share capital of the Company.

If both Resolution 11 and Resolution 12 are passed, Shareholders will be granting the Directors the authority to allot a total of up to 20 per cent of the existing issued ordinary share capital of the Company in aggregate on a non pre-emptive basis. If Resolution 11 is passed but Resolution 12 is not passed, Shareholders will only be granting Directors the authority to allot up to 10 per cent of the existing issued ordinary share capital of the Company on a non pre-emptive basis.

New ordinary shares will not be issued at a price less than the prevailing NAV 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.

Each of the authorities granted pursuant to Resolution 11 and Resolution 12 shall expire on the earlier of eighteen month from the date of the resolution or at the conclusion of the next Annual General Meeting.

Resolution 13: Directors' Authority to Buy Back Shares

The current authority of the Company to make purchases of up to approximately 14.99% of its issued capital expires at the end of the Annual General Meeting and Resolution 13 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 13. This power will be exercised only if, in the opinion of the Directors, a repurchase would result in an increase in NAV per ordinary 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.

Notice of Annual General Meeting

Notice is hereby given that the seventeenth Annual General Meeting of CQS New City High Yield Fund Limited (the "Company") will be held at 11.00 a.m. at IFC1, The Esplanade, St. Helier, Jersey, JE1 4BP on 30 November 2023 for the following purposes:

To consider and, if thought fit, pass resolutions 1 to 10 as ordinary resolutions and resolutions 11 to 13 as special resolutions:

Ordinary Business

1. To receive and adopt the Annual Financial Statements of the Company and the reports of the Directors and Auditor for the year ended 30 June 2023.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2023.
3. To approve the Company's Dividend Policy.
4. That Caroline Hitch be re-elected as a Director of the Company.
5. That Duncan Baxter be re-elected as a Director of the Company.
6. That Wendy Dorman be re-elected as a Director of the Company.
7. That John Newlands be re-elected as a Director of the Company.
8. That Ian Cadby be re-elected as a Director of the Company.
9. To re-appoint PwC as Independent Auditor and that the Directors be authorised to determine their remuneration.
10. 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

11. That, the Company be authorised to issue equity securities (as defined in Article 16.2 of the Company's Articles of Association) for cash, as if the provisions of Article 16.2 did not apply to any such issue, including by way of a sale of ordinary shares held by the Company as treasury shares, in such amount as represents up to 10% 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 Special Resolution) at the earlier of the conclusion of the next annual general meeting of the Company 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.
12. That, in addition to any authority granted under Resolution 11 above, the Company be authorised to issue equity securities for cash, as if the provisions of Article 16.2 did not apply to any such issue, including by way of a sale of ordinary shares held by the Company as treasury shares, in such amount as represents up to 10% 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 Special Resolution) at the earlier of the conclusion of the next annual general meeting of the Company 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.
13. 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% 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% of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the LSE 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 LSE'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.

The Company requests that any Shareholders wishing to attend the Annual General Meeting to advise the Company Secretary by email or in writing as detailed in note 3 below.

By Order of the Board

BNP Paribas S.A., Jersey Branch

Company Secretary

14 September 2023

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. Any Shareholder wishing to attend the Annual General Meeting can advise the company of their intention to do so by writing to the Company Secretary at BNP Paribas S.A., Jersey Branch, IFC 1, The Esplanade, St Helier, Jersey, JE1 4BP or by email at jersey.bp2s.ncyf.cosec@bnpparibas.com.

4. 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.

5. Completion of the proxy card will not prevent a Shareholder from attending the meeting and voting in person.

6. 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 28 November 2023, 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 21 November 2023, 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

7. 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 28 November 2023 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

Report of the Investment Manager relating to Matters under the Alternative Investment Fund Managers' Directive (unaudited)

Risk management systems

The Company's Annual Report and Pre-investment Disclosure Document sets out the risks to which the Company is exposed. The UK 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 UK 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

No material changes.

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.

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 Company. The variable remuneration period of the AIFM ended on 31 December 2022. 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) for the year ending, December 31, 2022. This has been presented in line with the information available to the Company. 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 $43.8m for the year ending 31 December 2022 to 196 individuals (full time equivalent), $28.8m has been paid as fixed remuneration 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 16.6 individuals (full time equivalent) who meet this definition and these individuals have collectively been compensated $45.1m.

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

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95691

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Duncan A H Baxter
Ian Cadby
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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