

newcity
high yield fund limited



Interim Report
Six month period from
17 January 2007 (date of incorporation)
to 17 July 2007

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Investment Objective

New City High Yield Fund Limited is a closed-end investment company and was incorporated with limited liability in Jersey on 17 January 2007. The Company's ordinary shares are listed on the Official List of the UK Listing Authority and trade on the London Stock Exchange's main market; dealings commenced on 7 March 2007.

The investment objective of the Company is to provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities.

Dividends

The Company paid a first interim dividend of 0.85p per ordinary share on 24 August 2007. In the absence of unforeseen circumstances, the Board expects that, in respect of the period from launch to 30 June 2008, four further interim dividends will be paid in November 2007, February 2008, May 2008 and August 2008, each at a rate no lower than that of the dividend already paid.

Important Information

Past performance is not necessarily a guide to future performance. The value of investments and income from them may go down as well as up and are not guaranteed. Changes in rates of exchange may cause the value of investments to fluctuate. Net asset value performance is not linked to share price performance, and shareholders may realise returns that are lower or higher in performance. The target dividend level for the period from launch to 30 June 2008, is based on certain assumptions and does not constitute a profit forecast.

If you have sold or otherwise transferred all of your ordinary shares in New City High Yield Fund Limited, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockholder, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Financial Highlights

For the six months ended 17 July 2007

- Net asset value total return of 1.5 per cent since launch on 7 March 2007.
- Ordinary share price total return of 0.5 per cent since launch on 7 March 2007.
- Ordinary share price at a premium of 1.7 per cent to published net asset value at 17 July 2007.
- £15 million raised in March 2007 through a Placing and Offer for Subscription (the "Placing"), in addition to the rollover of New City High Yield Trust plc shareholders' interests of £52.9m into the Company.

Net Asset Value Total Return and Share Price Total Return of New City High Yield Fund Limited and New City High Yield Trust plc since 1 November 2004.



*Richard Lockwood, Midas Capital Partners Limited appointed Investment Manager on 1 November 2004

†New City High Yield Fund Limited launched on 7 March 2007.

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

(Index restated to 100 from 1 November 2004*)
 Source: F&C Investment Business Limited

Chairman's Statement

Introduction

I am pleased to present the Company's first Interim Report. As required by law this is for the six month period from incorporation on 17 January 2007 to 17 July 2007 and will be followed by a second Interim Report to 31 December 2007 and an Annual Report to 30 June 2008.

I would like to welcome both those shareholders who came across from New City High Yield Trust plc and also those that participated in the Placing in March 2007.

We are particularly pleased with the diversity of the share register which includes investors in Asia, Australasia, Europe and the British Isles.

Launch of the Company

The Company was launched on 7 March 2007 following the voluntary winding up of New City High Yield Trust plc and the rollover of its shareholders' interests (£52.9m) into the Company. A further £15m was raised from new and existing shareholders pursuant to the Placing.

The objective of New City High Yield Fund Limited is to provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities.

Investment Performance

The Company's Investment Manager is New City Investment Managers Limited which was established by Richard Lockwood in April 2005. Richard managed New City High Yield Trust plc since 1 November 2004 and is supported in managing the Company's investment portfolio by Andrew Ferguson.

Since launch, the Manager has been investing the additional funds raised and carefully selecting a range of investments at the high yield end of the market. While the share price has fluctuated slightly, it is pleasing that despite difficult markets the Company's net asset value rose by 1.5 per cent to 54.22 pence per share at 17 July 2007. At the period end, the yield to shareholders was approximately 6.3%.

Dividends

The first interim dividend in respect of the period ending 30 June 2008 of 0.85p per ordinary share was announced on 17 July 2007 and was paid on 24 August 2007. In the absence of unforeseen circumstances a second interim dividend in respect of the current period is expected to be announced in October and paid in November 2007.

As communicated earlier in the summer, all holders of ordinary shares now have the opportunity to participate in the Company's Dividend Reinvestment Plan (the "Plan") which enables shareholders to receive additional ordinary shares instead of cash dividend payments. The Plan has currently been taken up by 69 shareholders and 7,278 ordinary shares were purchased by the registrars in August 2007, to satisfy the Plan.

Annual General Meeting

While the first full accounts will be for the period to 30 June 2008, due to Company law requirements, we will be holding the first Annual General Meeting in Jersey on 1 November 2007. The notice and an explanation of the business of the AGM is on pages 13 to 15 and I look forward to welcoming as many of you as possible.

Outlook

New City High Yield Fund Limited has started encouragingly in this first period. The Placing has further increased the Company's critical mass and helped to reduce the running costs as a percentage of net asset value. The Investment Manager will continue to focus on generating sustainable income and the potential for capital appreciation.

James G West

Chairman

13 September 2007

Investment Manager's Review

Investment Performance

Bearing in mind that interest rates around the world have been on an ascending trend during the period under review, our net asset value showed a marked degree of resilience, rising from 53.4 pence per share at 7 March 2007 to 54.22 pence per share on 17 July 2007. This is before the payment of the first interim dividend of 0.85p per ordinary share. That resilience continued into August, with the value of the portfolio little changed in spite of having to deal with the effect of the American sub-prime mortgage crisis. Investec's acquisition of Kensington Group was helpful in this regard. After payment of the first dividend, the net asset value stands at 51.80 pence per share as we write.

Investment Activity

The commodity market remained strong during the first half of the year, especially its agricultural components. We increased our holding in the bonds of a major palm oil producer, REA, and acquired positions in convertible securities issued by Great Panther and, after the period end, Metals Exploration. Although these convertibles themselves are not quoted, the underlying shares to which they relate are quoted.

In part, this tactic is a response to the buy back of a number of what had been our largest holdings by the issuing companies - the bonds of Equitable Life, Thorn Finance and Georgica have all suffered this fate.

Outlook

Looking to the future, we are optimistic as to the prospects for the Company. Although we seem to be flying in the face of conventional wisdom, we do not see interest rates rising significantly from their current levels. Indeed if the backlash from the American sub-prime situation escalates it is not impossible that rates could even decline, which should be good news for our portfolio. Our biggest challenge remains finding suitable high yielding replacements for the repaid bonds. We have done so in the past and remain confident of our ability to do so in the future.

As a final thought, there has been virtually no issuance of convertibles in recent years, but the tricky market conditions we are currently witnessing might well bring about a change of heart, bearing in mind that straightforward rights issues will be harder to complete.

Richard Lockwood / Andrew Ferguson

New City Investment Managers Limited

13 September 2007

Unaudited Income Statement

Six month period from 17 January 2007 (date of incorporation) to 17 July 2007

	Six months to 17 July 2007		
	Revenue £'000	Capital £'000	Total £'000
Realised losses on disposal of investments	–	(23)	(23)
Unrealised losses on investments	–	(476)	(476)
Exchange gains	–	7	7
Income	2,544	–	2,544
Investment management fee	(184)	(61)	(245)
Other expenses	(117)	–	(117)
Net return before finance costs and taxation	2,243	(553)	1,690
Interest payable and similar charges	(270)	(90)	(360)
Return on ordinary activities before taxation	1,973	(643)	1,330
Irrecoverable withholding tax	(25)	–	(25)
Return on ordinary activities after taxation	1,948	(643)	1,305
Return per ordinary share (pence)	1.54p	(0.51p)	1.03p

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

The total column in the above statement is the profit and loss account of the Company.

The Company was incorporated on 17 January 2007 and commenced operations on 7 March 2007.

Unaudited Balance Sheet

As at 17 July 2007

	As at 17 July 2007 £'000
Fixed assets	
Investments	83,231
Current assets	
Debtors	1,694
Cash at bank	1,126
	2,820
Creditors: amounts falling due within one year	(17,361)
Net current liabilities	(14,541)
Net assets	68,690
Share capital and reserves	
Stated capital account	16,998
Special distributable reserve	50,387
Capital reserves:	
– realised	(167)
– unrealised	(476)
Revenue reserve	1,948
Equity shareholders' funds	68,690
Net asset value per ordinary share (pence)	54.22p

Unaudited Reconciliation of Movements in Shareholders' Funds

Six month period from 17 January 2007 (date of incorporation) to 17 July 2007

	Six months to 17 July 2007 £'000
Equity shareholders' funds at 17 January 2007 (date of incorporation)	–
Return on ordinary activities after taxation	1,305
Increase in share capital in issue attributable to rollover from New City High Yield Trust plc	52,964
Increase in share capital in issue attributable to Placing	15,027
Launch costs	(594)
Cost of reduction in stated capital account	(12)
Equity shareholders' funds at 17 July 2007	68,690

Summarised Unaudited Cash Flow Statement

Six month period from 17 January 2007 (date of incorporation) to 17 July 2007

	Six months to 17 July 2007 £'000
Net cash inflow from operating activities	1,905
Net cash outflow from servicing of finance	(239)
Irrecoverable withholding tax paid	(25)
Net cash outflow from financial investments	(17,475)
Net cash outflow before financing	(15,834)
Net cash inflow from financing	16,421
Increase in cash	587
Reconciliation of net cash flow to movement in net debt	
Increase in cash as above	587
Cash inflow from transfer of cash from New City High Yield Trust plc [†]	532
Cash inflow from drawdown of loan	(2,000)
Exchange gains	7
Change in net debt resulting from cash flows	(874)
Opening net debt at 17 January 2007	–
Transfer of loan from New City High Yield Trust plc [†]	(14,000)
Closing net debt at 17 July 2007	(14,874)
Represented by:	
Cash at bank	1,126
Debt falling due within one year	(16,000)
	(14,874)
Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities	
Net return before finance costs and taxation	1,690
Realised losses on disposal of investments	23
Unrealised losses on investments	476
Exchange gains	(7)
Increase in prepayments and accrued income	(329)
Increase in other creditors	52
Net cash inflow from operating activities	1,905

[†] On 6 March 2007 the net assets of New City High Yield Trust plc which totalled £52,964,000 were transferred in specie to New City High Yield Fund Limited. Cash of £532,000 and investments with a market value of £66,432,000 were received and a loan of £14m to Allied Irish Bank was also novated and transferred to the Company (refer note 5).

Notes to the Accounts

1. The unaudited interim results which cover the six months from incorporation on 17 January 2007 to 17 July 2007 have been prepared in accordance with applicable United Kingdom accounting standards and adopting the accounting policies which will be set out in the statutory accounts of the Company for the period ended 30 June 2008.

The Company's year end is 30 June and the first accounting period will end on 30 June 2008.

2. A first interim dividend of 0.85p per ordinary share was paid on 24 August 2007. In accordance with revised UK GAAP this dividend has not been included as a liability in these accounts.
3. The breakdown of income for the six months to 17 July 2007 was as follows:

	17 July 2007 £'000
Income from investments	
Dividend income	347
Interest on fixed interest securities	2,136
	2,483
Other income	
Deposit interest	61
Total income	2,544

4. The return per ordinary share is based on the net return on ordinary activities after taxation of £1,305,000 and on a weighted average of 126,696,828 ordinary shares in issue throughout the period.
5. On 6 March 2007, 99,022,414 ordinary shares were issued pursuant to the Scheme for the voluntary winding up of New City High Yield Trust plc and rollover of its shareholders' interests into the Company. A further 27,674,414 ordinary shares were issued pursuant to a Placing and Offer for Subscription which raised £15m. Dealings in these shares commenced on 7 March 2007.
6. On 24 May 2007, the Royal Court of the Island of Jersey confirmed that the amount standing to the credit of the Company's stated capital account be reduced by 75 per cent. This amount, being £50,993,244, has been used to create a distributable reserve in the Company's accounts. This reserve shall be 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. Launch costs of £594,000 and legal costs of £12,000 have been written off against this reserve as shown on page 6.
7. The financial information for the six months to 17 July 2007 comprise non-statutory accounts. The first full audited accounts for the period ended 30 June 2008, will be lodged with the Registrar of Companies following the Annual General Meeting in 2008.

R&H Fund Services (Jersey) Limited

Secretary

13 September 2007

Independent Review Report to New City High Yield Fund Limited

Introduction

We have been engaged by the Company to review the financial information set out on pages 5 to 8 and we have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Interim Report, including the financial information contained herein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those which will be applied in preparing the annual accounts.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: 'Review of Interim Financial Information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months to 17 July 2007.

KPMG Audit Plc

Chartered Accountants
Edinburgh

13 September 2007

Investment Portfolio

As at 17 July 2007

Company	Sector	Valuation £'000	Net assets %
Balfour Beatty 10.75% CCP	Construction	4,180	6.1%
Real Estate Opportunities 7.5% CULS 31/05/11	Real Estate	3,280	4.8%
Georgica FRN 30/06/12	Leisure	3,196	4.7%
Antares Energy CV 10% 31/10/13	Oil & Gas	3,172	4.6%
Novae Group 7% CULS 15/12/08	Insurance	2,597	3.8%
Cable & Wireless 8.625% 25/3/19	Telecom	2,289	3.3%
Equitable Life Finance 8% 06/08/07	Insurance	2,210	3.2%
Alliance Pharma 8% CV 31/12/13	Pharmaceuticals	1,994	2.9%
General Motors 8.875% 10/07/23	Automobiles	1,880	2.7%
Libra Natural Resources 8% CV 30/6/10	Mining	1,843	2.7%
Top ten investments		26,641	38.8%
Waterford Wedgwood 9.875% 1/12/10	Household	1,786	2.6%
REA Finance 9.5% 31/12/17	Commercial Services	1,770	2.6%
Premier Farnell 89.2p CCP	Industrial	1,719	2.5%
Corero 8% CULS 31/10/11	Software	1,484	2.2%
Corporate Services 10% 29/04/11	Commercial Services	1,294	1.9%
Satcom 8% CLN 30/6/09	Telecom	1,250	1.8%
First Hydro Finance 9% 31/7/21	Financial	1,219	1.8%
Wind Acquisition Finance 9.75% 1/12/15	Telecom	1,107	1.6%
REA Holdings 9% CP	Food Products	1,090	1.6%
British Airways 7.25% 23/08/16	Airlines	1,067	1.5%
Top twenty investments		40,427	58.9%
Sevan Drilling FRN 7/12/12	Oil & Gas	1,059	1.5%
Kensington Group 9% 21/12/15	Financial	1,041	1.5%
EMI 8.25% 20/05/08	Leisure	1,024	1.5%
Grohe Holdings 8.625% 01/10/14	Construction	1,018	1.5%
Zlomrex International 8.5% 01/02/14	Financial	1,008	1.5%
Collins Stewart Tullett 8.25% 12/08/14	Financial	1,003	1.4%
GoIndustry 8% CV 5/5/9 (unquoted*)	Oil & Gas	1,000	1.4%
Warner Music 8.125% 15/4/14	Media	951	1.4%
HTM Sport & Freizeit 8.5% 1/2/14	Leisure	951	1.4%
Great Panther 8% CV 11/7/11 (unquoted*)	Mining	950	1.4%
Top thirty investments		50,432	73.4%
Invensys 9.875% 15/03/11	Machinery	945	1.4%
London Mining 11.5% 26/4/12	Mining	940	1.4%
Norwegian Energy 11% 13/7/10	Oil & Gas	940	1.4%
Troms Fylkes 7% CV 8/6/09	Marine	922	1.3%
BRIT Insurance 8.5% CULS 31/12/08	Insurance	816	1.2%
Coutts Consulting 8% CP (unquoted)	Commercial Services	775	1.1%
Cirsa Capital 7.875% 15/7/12	Leisure	773	1.1%
FMG Finance 9.75% 1/9/13	Financial	769	1.1%
Iron Mountain 7.25% 15/4/14	Commercial Services	761	1.1%
CBH Resources NPV Ordinary Shares	Mining	757	1.1%
Top forty investments		58,830	85.6%

Investment Portfolio (continued)

As at 17 July 2007

Company	Sector	Valuation £'000	Net assets %
Croma Group 8% CLN 20/6/11 (unquoted*)	Aerospace & Defence	750	1.1%
Chemetall 9% CP	Chemicals	748	1.1%
IT Holding Finance 9.875% 15/11/12	Textiles	726	1.1%
Xinhua Finance 10% 21/11/11	Media	697	1.0%
Ardagh Glass Fin 8.875% 15/7/13	Financial	696	1.0%
Bombardier 7.25% 15/11/16	Industrial	695	1.0%
First Australian Resources 10% 31/01/09	Oil & Gas	683	1.0%
Allied London Properties 10.75% 31/12/25	Real Estate	681	1.0%
Cirsa Capital 8.75% 15/5/14	Leisure	667	1.0%
Dyno Nobel SPS Preference Shares	Mining	641	0.9%
Top fifty investments		65,814	95.8%
Norse Energy 10% 13/7/10	Oil & Gas	598	0.9%
Interoil E&P 12.5% 29/3/10	Oil & Gas	598	0.9%
FMG Finance 10.625% 1/9/16	Financial	581	0.9%
Bellway 9.5% CP	Real Estate	559	0.8%
FPS Ocean FRN 24/7/09	Oil & Gas	555	0.8%
Royal & Sun Alliance 7.375% CP	Insurance	546	0.8%
IFCO Systems 10.375% 15/10/10	Paper & Forestry Products	538	0.8%
Invesco Leveraged High Yield Fund	Financial	515	0.7%
Rubicon Offshore FRN 16/4/12	Oil & Gas	489	0.7%
Vedanta Resources 6.625% 22/2/10	Mining	489	0.7%
Top sixty investments		71,282	103.8%
ALB Finance 9.75% 14/2/11	Financial	488	0.7%
Skyepharma 6% CV 4/5/24	Pharmaceuticals	460	0.7%
New Gold 10% 28/6/17	Mining	452	0.7%
Neder Waterschapsbank 6% 30/6/45	Financial	445	0.6%
Neder Waterschapsbank 6.5% 15/8/35	Financial	442	0.6%
Royal & Sun Alliance 8.5% 29/7/49	Insurance	427	0.6%
Bounty Ind 10% CV 30/6/10	Mining	419	0.6%
Scandinavian Airlines 2.375% 14/01/11 Perpetual	Airlines	399	0.6%
Malka Oil 9% CV 31/5/11	Oil & Gas	391	0.6%
Lafayette Mining 10% CV 30/9/09	Mining	383	0.6%
Top seventy investments and investments over 0.5% of net assets		75,588	110.1
Other investments (31)		7,643	11.1%
Total investments		83,231	121.2%
Net current liabilities[†]		(14,541)	(21.2)%
Net Assets		68,690	100.0%

Notes:

* Unquoted security which is convertible into a quoted security

† Including bank loan of £16 million.

CCP – Convertible Cumulative Preference Shares

CV – Convertible Bond

FRN – Floating Rate Note

CLN – Convertible Loan Note

CP – Cumulative Preference Shares

CRP – Cumulative Redeemable Preference Shares

CULS – Convertible Unsecured Loan Stock

Classification of Investments at 17 July 2007

By Currency

	2007 Total investments %
Sterling	60
Euro	17
Australian Dollar	8
Norwegian Krone	7
US Dollar	5
Canadian Dollar	2
Swiss Franc	1
Total investments	100

By Asset Class

	2007 Total investments %
Bonds	59
Convertibles	26
Preference Shares	13
Equity Shares	2
Total investments	100

Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of New City High Yield Fund Limited will be held at 11 a.m. at Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW on Thursday, 1 November 2007 for the following purposes:

To consider and, if thought fit, pass the following Resolutions:

Ordinary Business

1. That the interim accounts for the period to 17 July 2007 be approved and that the first full accounts which will be prepared to 30 June 2008 be presented for approval at the 2008 Annual General Meeting.
2. That James G West, who retires at the first Annual General Meeting following his appointment to the Board, be re-appointed as a Director.
3. That Gavin D P Breeze, who retires at the first Annual General Meeting following his appointment to the Board, be re-appointed as a Director.
4. That Allister F Carey, who retires at the first Annual General Meeting following his appointment to the Board, be re-appointed as a Director.
5. That Adrian J R Collins, who retires at the first Annual General Meeting following his appointment to the Board, be re-appointed as a Director.
6. That Graeme D Ross, who retires at the first Annual General Meeting following his appointment to the Board, be re-appointed as a Director.
7. That KPMG Audit Plc, Chartered Accountants, be appointed as Auditors and that the Directors be authorised to determine their remuneration.

Special Business

Special Resolution

8. 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 is 18,991,850, being 14.99 per cent of the issued share capital of the Company as at the date of the passing of this resolution;
 - (ii) the minimum price which may be paid for an ordinary share is 1p;
 - (iii) the maximum price which may be paid for an ordinary share is an amount equal to the higher of:
 - (a) 105 per cent, of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased; and
 - (b) the higher of (1) the price of the last independent trade in ordinary shares and (2) the highest current independent bid for ordinary shares on the London Stock Exchange's Main Market; and

Notice of Annual General Meeting (continued)

- (iv) this authority expires at the conclusion of the next AGM of the Company after the passing of this resolution or 15 months from the date of the passing of this resolution, whichever is earlier; and
- (v) 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.

By Order of the Board

R&H Fund Services (Jersey) Limited
Company Secretary
13 September 2007

Notes:

1. A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a member of the Company.
2. A form of proxy is enclosed for use at the meeting. To be valid, the proxy card must be lodged with the Company's registrar, Computershare Investor Services (Channel Islands) Limited, Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW at least 48 hours before the meeting.
3. Completion of the proxy card will not prevent a shareholder from attending the meeting and voting in person.
4. 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 30 October 2007, 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 30 October 2007, 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.

Explaining the Business of the Annual General Meeting

Directors standing for re-election:

Resolution 2: James G West *(Chairman)*

(Date of appointment 17 January 2007), (age 60) is a chartered accountant and was formerly a managing director of Lazard Brothers and Co Ltd and chief executive of Lazard Asset Management Ltd. He is chairman of Gartmore Fledgling Trust plc, Jupiter Second Enhanced Income Trust plc and Rurelec plc. He is also a director of British Assets Trust plc, Candover Investments plc, JPMorgan Income and Capital Investment Trust plc, Shires Smaller Companies plc, UK Select Trust plc, IPSA Group plc and GNE Group plc.

Resolution 3: Gavin D P Breeze *(Audit Committee Chairman)*

(Date of appointment 17 January 2007), (age 46) founded DataCash in September 1997 and has been responsible for development of its payment services and products, setting up strategic relationships and developing its merchant client base. He joined the Board of DataCash Group plc in March 2000, which is listed on the Alternative Investment Market (AIM).

Resolution 4: Allister F Carey

(Date of appointment 17 January 2007), (age 57) has over 30 years' experience of stockbroking and investment management in Guernsey and is a fellow of the Securities Institute. Until February 2003, he was in charge of the Guernsey branch of Brewin Dolphin, a post that he held since its inception in 1997. Prior to that appointment he had been the chief executive in Guernsey for James Capel (Channel Islands) Ltd. He is also a director of INVESCO Leveraged High Yield Trust Fund Limited.

Resolution 5: Adrian J R Collins

(Date of appointment 17 January 2007), (age 53) has worked in the fund management business for over 30 years, a large part of which was at Gartmore Investment Management Limited where latterly he was managing director. He is Chairman of Corvus Capital Inc. and is also on the boards of City Natural Resources High Yield Trust plc, Deutsche Land plc, Midas Capital Partners Ltd and a number of other companies.

Resolution 6: Graeme D Ross

(Date of appointment 17 January 2007), (age 46) graduated from Dundee College of Technology in 1980 and joined Arthur Young McClelland Moores, Chartered Accountants, in Perth, Scotland. He qualified as a chartered accountant in 1984 and joined KPMG Peat Marwick's practice in Jersey shortly afterwards. He joined the Jersey practice of Rawlinson & Hunter, Chartered Accountants, in 1986 as a manager in the fund administration division. In 1994 he was admitted to the Jersey partnership of Rawlinson & Hunter. He has been the managing director of R&H Fund Services (Jersey) Limited since 1996 and has in-depth knowledge and experience of the fund management industry generally and retail funds in particular. He has worked in the offshore fund management industry for over 20 years and also served as a committee member of the Jersey Fund Managers Association for three years.

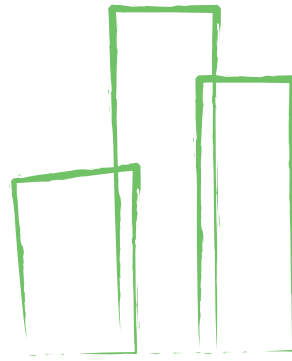
Directors' Authority to Purchase Shares:

Resolution 8

The current authority of the Company to make purchases of up to approximately 14.99 per cent of its issued capital expires at the end of the Annual General Meeting and Resolution 8 seeks renewal of such authority until the next Annual General Meeting (or the expiry of 15 months, if earlier). The price paid for shares will not be less than 1p nor more than the maximum amount determined by the rules of the UK Listing Authority at the time of purchase. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will be cancelled.

Corporate Information

Registered Number	95691
Directors	James G West (<i>Chairman</i>) Gavin D P Breeze (<i>Audit Committee Chairman</i>) Allister F Carey Adrian J R Collins Graeme D Ross
Registered Office	New City High Yield Fund Limited Ordnance House, 31 Pier Road St. Helier, Jersey JE4 8PW Channel Islands
Investment Manager	New City Investment Managers Limited 5th Floor, Manfield House 1 Southampton Street, London WC2R 0LR Tel: 020 7557 4370
Company Secretary and Administrator	R&H Fund Services (Jersey) Limited Ordnance House, 31 Pier Road St. Helier, Jersey JE4 8PW Channel Islands Tel: 01534 825200
UK Administrator	F&C Investment Business Limited 80 George Street, Edinburgh EH2 3BU Tel: 020 7628 8000
Registrars	Computershare Investor Services (Channel Islands) Limited Ordnance House, 31 Pier Road St. Helier, Jersey JE4 8PW Channel Islands Tel: 01534 825230
Financial Adviser/Stockbroker	Intelli Corporate Finance Limited/Intelli Stockbrokers 63 Queen Victoria Street London EC4N 4UA
Auditors	KPMG Audit Plc 20 Castle Terrace, Edinburgh EH1 2EG
Bankers	Allied Irish Bank PLC St Helen's 1 Undershaft, London EC3A 8AB
Custodian Bankers	HSBC Bank PLC 8 Canada Square, London E14 5HQ
Jersey Lawyers to the Company	Ogier Whiteley Chambers Don Street, St. Helier Jersey, JE4 9WG Channel Islands
UK Solicitors to the Company	Maclay Murray & Spens LLP One London Wall, London EC2Y 5AB
Website	www.ncim.co.uk
ISIN	JE 00B1LZS514



newcity
high yield fund limited



Liberation Square, Jersey